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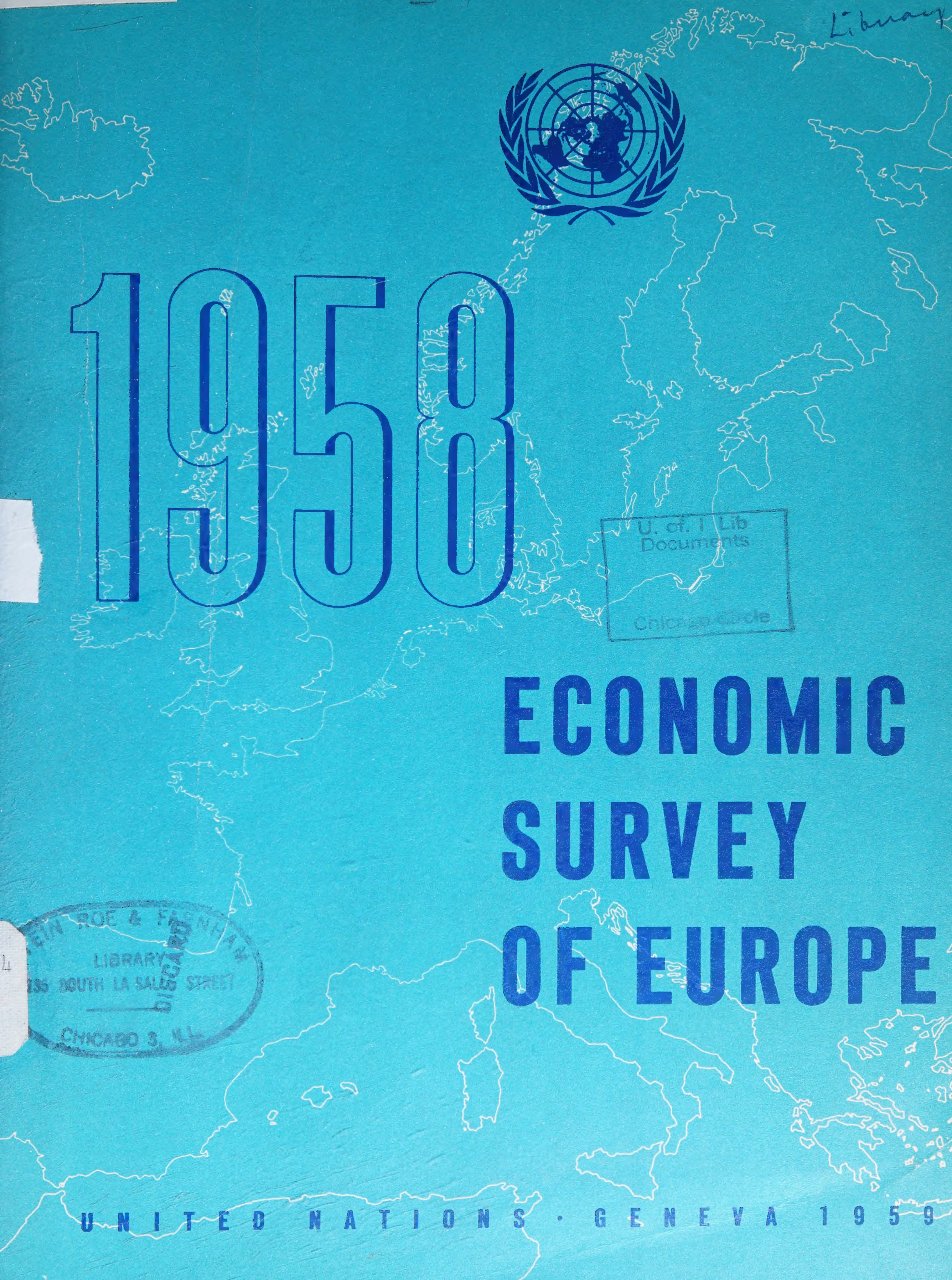

1958

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ECONOMIC SURVEY OF EUROPE IN 1958

including studies of
the Relationship between Economic Expansion and
Balances of Payments in Western European Countries
and
Consumption Trends and Structures in Europe

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Prepared by the

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Prefatory Note

The present SURVEY is the twelfth in a series of reports prepared by the secretariat of the Economic Commission for Europe to serve the needs of the Commission and to help in the task of reporting on world economic conditions which the Economic and Social Council of the United Nations has entrusted to the Department of Economic and Social Affairs.

A major object of the SURVEY, and of the quarterly *Economic Bulletin* which supplements it, is to analyse recent developments in the European economy and elsewhere which may significantly affect the economic framework within which the countries of Europe have to determine their policies. Recent developments in the economies of eastern Europe and the Soviet Union are reviewed in Chapter I; and economic developments in western Europe in 1958, and the prospects for a resumed expansion of activity in that region, are discussed in Chapter II.

As has been the practice in past SURVEYS, attention is also focused on some longer-term issues which are nevertheless immediately relevant to the current formulation of economic policies in European countries. Thus, Chapter III contains an analysis of the relationship between economic expansion and changes in balances of payments in western European countries. Chapter IV reviews structures and trends of personal consumption in the countries of eastern Europe and the Soviet Union, while Chapter V contains a similar review covering western Europe. The different issues selected as most deserving of attention in these last two chapters naturally reflect the variations among European countries in economic structures and institutional systems.

The improvement in the volume and quality of statistical and other data available to the secretariat, which has been noted in the last two SURVEYS, has continued during 1958. But the latest improvements have taken the form more of useful supplements to data in sectors where considerable information already exists than of an opening up of completely new fields for research and analysis—such as occurred in the previous year. Discussions with officials of a number of member countries have again proved helpful.

This SURVEY is published on the responsibility of the secretariat, and the views expressed in it should not be attributed to the Commission or to its member governments.

Geneva *March 1959*

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EXPLANATORY NOTES

The designation of countries and territories in this publication and its arrangement of material should not be considered as implying any endorsement or other judgement by the Secretariat of the United Nations on the boundaries or status of a country and its authorities.

The following symbols have been used throughout this SURVEY:

.. = not available or not pertinent;

— = nil or negligible;

* = estimate by the secretariat of the Economic Commission for Europe;

ɪ = interruption in the comparability of the series or a change in the unit in which the series is reported.

In referring to combinations of years, the use of an oblique stroke—e.g., 1957/58—signifies a twelve-month period (say from 1 July 1957 to 30 June 1958). The use of a hyphen—e.g., 1953-1957—normally signifies an average of the full period of calendar years covered (including the end years indicated).

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of " billion " used throughout is one thousand million. Minor discrepancies in totals and percentages are due to rounding.

In general, information received up to mid-February 1959 has been included in the SURVEY.

CHAPTER I

RECENT ECONOMIC DEVELOPMENTS IN EASTERN EUROPE AND THE SOVIET UNION

1. THE GENERATION AND USE OF NATIONAL PRODUCT IN 1958

The Growth of Output

The main contributor to the further large increments in domestic product recorded in eastern Europe and the Soviet Union in 1958 was the fairly uniform growth of industry at rates little different from those of 1957. Preliminary indicators show rises in net domestic product by 6 to 9 per cent almost everywhere; and such variations among countries as occurred were attributable largely to the differing effects on farm output of the weather and of such factors as the varying pace of collectivization or the movement of labour out of agriculture. Gross farm production reached record levels in the Soviet Union, Poland and eastern Germany, and is reported to have risen slightly in Czechoslovakia, but elsewhere was unchanged or declined. Construction, other than housebuilding, seems to have made a generally somewhat smaller contribution to the over-all expansion than in 1957, though Poland and the Soviet Union are exceptions to this pattern. Goods transport shows a rather surprisingly slower rate of growth than in 1957, despite the virtually unchanged rate of industrial expansion, not only in the Soviet Union — where the changes in the organization of industry and trade might have been expected to produce such an effect [1] — but also throughout eastern Europe.

Although the few official, but provisional, estimates of domestic product so far available are restricted to material product, calculations on a service-inclusive concept would probably reveal about the same rates of growth as those just mentioned. The general reduction of administrative staffs, and in the Soviet Union of the armed forces,[2] have been more than matched by expansion of employment in education, health and other social services and by improvements in housing — a development contrasting with the trend in earlier years when the services sector was generally shrinking.

Gross and Net Sector Outputs

With the exception of the preliminary estimates of net domestic product, the output statistics shown in Table 1 are calculated as the sum of the gross outputs of all separately identified enterprises (including all inputs, both those from outside the particular output sector and those generated by other enterprises within the same sector) ; and gross agricultural output includes, for example, services of machine and tractor stations and fodder consumed by livestock. No country has yet published estimates of net output by sector in 1958 but, as can be seen from the data in Table 2, the difference between the rates of growth of industrial production for the period 1955 to 1957, registered by the index numbers of gross and net output, are negligible for Czechoslovakia, Hungary and Poland.[3]

In earlier years gross industrial output tended to rise much faster than net output in most countries of the region as the growth of fabricating industries exceeded the expansion of the basic sectors.[4] Institutional changes, enlarging the statistical coverage (e.g., the nationalization of small enterprises previously not, or inadequately, recorded), had a similar effect, since in eastern Europe the basic industries were the first to be nationalized; and administrative changes creating new autonomous producers have worked in the same direction. It may well be that some part of the apparent 1957 and 1958 increments of output in the new Soviet regional economic councils (sovnarkhozy) have been due to the concentration of component manufacture (notably castings, forgings, electrodes, tools) in specialized plants.[5] In construction,

---

[1] See the SURVEY for 1957, Chapter I, p. 33.

[2] The 1958 defence appropriations were the same as, or slightly less than, planned for 1957 in the Soviet Union, eastern Germany and Rumania, but were greater than 1957 plans in Albania and Bulgaria and than actual 1957 expenditure in Poland, Czechoslovakia and Hungary.

[3] Net output is here defined not only net of duplication (i.e., it is " value added "), but also net of depreciation.

[4] Eastern Germany and Rumania seem not to have shared this experience : the former because of its already highly developed industrial structure at the beginning of the period and the latter because the rate of growth of secondary industries seems not yet to have significantly exceeded that of the basic sectors.

[5] Early examples of such concentration (which would increase the proportion of purchased materials in gross outputs) were quoted in the SURVEY for 1957, loc. cit., and very many more were reported by the Soviet Press during 1958. The contrary trend — the formation of enterprise groups (kombinaty) — does not usually cause enterprises to lose their statistical identity, and plant closures have been rare.

Table

Elements in the growth of national product

Percentage increment

	Albania			Bulgaria			Czechoslovakia			Eastern Germany		
	1957	1958	1959 Plan	1957	1958	1959 Plan	1957	1958	1959 Plan	1957	1958	1959 Plan
Gross output of :												
Industry	26	20	17	15	16 [a]	..	10	11	10	8	11	11
Producers' goods	..	..	..	9	..	..	10	12	..	..	..	..
Consumers' goods	..	..	..	18	..	..	11	11	..	..	..	..
Construction	23	23	28	..	..	..	10	9	16	12	5	17
Agriculture	..	−⧗	26	15	—	..	−1	3	12	..	7	..
Rail transport — Goods	21	12	28	10	8	..	15	8	..	5	3 [d]	..
Passengers	..	23	..	−4	14 [d]	..	2	−1	..	−1	−4 [d]	..
Foreign trade turnover :												
Value	42	43	..	20	6	..	7	7	10	25	4	11
Volume	..	30	..	23	..	..	8	4	..	..	6 *	..
Imports — Value	27	..	..	34	7 [d]	..	17	−2	..	21	4	16
Volume	..	..	..	39	..	..	18	−2	..	..	..	..
Exports — Value	53	..	32	9	2 [d]	..	−2	15	..	29	4	7
Volume	..	..	..	12	..	..	1	11	..	..	..	..
Net domestic product	14	15	19	8	7	..	7	8	6	9	8 *	..
Gross fixed capital formation	23	36	40	−18	19	..	10	5	13	9	15	21

Sources : Statistical yearbooks; plan fulfilment reports; plans; *Bashkimi*, 19 December 1958; *Vneshnyaya Torgovlya*, No. 5, 1958, p. 5; *Pravda*, 18 February 1959. The agricultural index for the Soviet Union is one prepared by the secretariat of the ECE for the Food and Agriculture Organization.

Note. — Index numbers are of values at constant prices, except where otherwise stated. — indicates constancy, and −⧗ indicates a decrease. Construction covers building and assembly work in State enterprises.

Rail transport was selected as the indicator for transport trends in the light of its overwhelming importance among carriers (cf. Survey for 1957, Table XLI); for Albania, where this is not the case, road traffic is shown. Data for goods traffic are in ton-kilometres, and for passenger services in passenger-kilometres, except for Czechoslovakia, eastern Germany, Hungary and Poland, where figures relate to passengers carried.

Gross fixed capital formation is shown at current prices (little changed in 1958) for eastern Germany and Hungary. The coverage varies from country to country, being virtually complete for Czechoslovakia, eastern Germany, Hungary and Poland, but possibly covering no more than half of the total in Bulgaria and about nine-tenths in the Soviet Union. (For details see sources to Table 4 in Appendix B).

the trend towards an industrialization of building methods (i.e., reducing on-site operations by the purchase of prefabricated components) is shown as an increment in output by the building materials industry,[6] although no decline is exhibited in the volume of building and assembly work as long as the standard price per unit of completed operation is not revised.

In addition to these long-run tendencies, the relationship between the rates of growth of gross and net industrial output has varied from one year to another with changes in the import content of final output or in its structure. Thus a switch towards consumer-goods production inflated gross output in Hungary in 1954; and changes in supplies coming forward from agriculture or in imports have from time to time affected both the Polish and the Hungarian figures.

In agriculture gross output remains a particularly unreliable indicator of developments; and its being recorded on a calendar-year basis tends to minimize the fluctuations, since any carry-over of fodder stocks from a good to a poor harvest year raises the apparent over-all output of the second year. This is demonstrated in the figures for Hungary and Rumania in Table 2.

All indicators of the long-term growth of total national product tend to be somewhat inflated by the under-valuation of agricultural output relatively to the generally more rapidly growing output of industry, mainly as a consequence of the differential incidence of turnover tax.[7] In eastern Europe, though not in

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[6] As a consequence, this industry shows a rapid acceleration of gross over net output. Thus in 1958, the Soviet gross output of the building materials industry rose by 25 per cent, but output of all its basic products rose by 10 to 15 per cent although output of large concrete wall blocks rose by 60 per cent, and other pre-fabricated concrete components by 31 per cent.

[7] The official statistics show industry (excluding building) contributing the following percentage shares of the sum of gross industrial and agricultural output in 1957 : Albania 48, Rumania 64, Poland 65, Hungary 66, Bulgaria 68, Czechoslovakia 80 and eastern Germany 85 (*Sotsialistichesky Trud*, No. 10, 1958, p. 55). The corresponding figure for the Soviet Union is about 75.

1

in eastern Europe and the Soviet Union

over previous year

Hungary			Poland			Rumania			Soviet Union			
1957	1958	1959 Plan	1957	1958	1959 Plan	1957	1958	1959 Plan	1957	1958	1959 Plan	
												Gross output of:
12[b]	12[b]	5[b]	10	10	8	9	10	10	10	10	8	Industry
9[b]	17[b]	6[b]	9	8	7	11	9	12	11	11	..	Producers' goods
15[b]	6[b]	4[b]	10	10	8	5	11	8	8	7	..	Consumers' goods
11	5	..	2	6	9	..	..	..	13	16[c]	..	Construction
13	−3*	5	4	3	4	21	−1	..	−2*	11*	..	Agriculture
16	9[e]	..	6	3	3	6	−1[d]	..	12	7	..	*Rail transport* — Goods
8	16	..	—	1	1	2	−12[d]	..	8	..	..	Passengers
												Foreign trade turnover:
21	11	14	12	2	1	7	..	..	12	2*	..	Value
..	..	..	4	10	..	..	..	..	6*	..	..	Volume
42	−10	18	22	−4	−2	18	..	..	18	..	..	Imports — Value
..	..	..	17	1	..	..	..	..	..	..	..	Volume
—	40	10	—	9	6	−1	..	..	6	..	..	Exports — Value
..	..	..	−9	20	..	..	..	..	..	..	..	Volume
21	3*	6	8	6	6	16	..	13	6	9	8	*Net domestic product*
−4	9	23	7	8	9	−8	12	15	12	11	11	*Gross fixed capital formation*

[a] From 1958 Plan Fulfilment Report. During 1958, statistics released in the quarterly plan fulfilment reports have differed from those quoted in the quarterly statistical bulletins, although no statement has been made on changes in coverage. Thus output in the first nine months of 1958 exceeded that of the corresponding period of 1957 by 17 per cent according to the Plan Fulfilment Report, but by 12 per cent according to the quarterly statistical bulletin. In 1957, the movements recorded in both sources were the same.

[b] State enterprises only.

[c] By contractors subordinate to Union-Republican authorities only (76 per cent of investment in 1957).

[d] First nine months over corresponding period of 1957.

[e] First ten months over corresponding period of 1957.

the Soviet Union (where agricultural output rose faster than that of industry), the rise in total domestic product from 1957 to 1958 would be lower on a " factor cost " basis than it appears when valued at market prices. Moreover, the practice of including new products in the output series at their actual prices when they first enter serial production tends in a period of rising costs to inflate any volume index.[8] Nevertheless, it can reasonably be concluded that the upward bias in indicators of industrial output and of national product has become much less in recent years in most countries and that the index of gross industrial output has generally become a more reliable indicator of changes in net output.

Cost Reductions in Industry and Construction

The continuing rapid growth of industrial output in 1958 may be attributed to more intensive use of capital and higher labour productivity, with a relatively minor contribution from additional industrial employment in most countries (see Table 3). Throughout the region more regular and adequate supplies of raw materials and semi-finished products, and increased deliveries of equipment to construction sites, contributed to the more efficient use of capital and other resources; and the available evidence suggests that stock-building accelerated practically everywhere in 1957 and early 1958, with a corresponding easing of supply problems. These factors are discussed in more detail in section 4 below.

Precise estimates of reductions in industrial and construction costs in 1958 are as yet available only for the Soviet Union (respectively 3 per cent and 1.5 per cent — in both cases more than had been planned). The Hungarian plan for the reduction of industrial costs by 3 per cent is stated to have been over-fulfilled; costs were reduced in Czechoslovak industry and construction by 2 per cent (on ten months' statistics) and 12 per cent respectively, and costs in Albanian industry and mining fell, but by less than had been planned. In these countries, as in Rumania where an intensive campaign to reduce building costs was

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[8] For a more detailed note on methods of calculation of index numbers of output in earlier years and on their probable bias, see the *Economic Bulletin for Europe*, Vol. 7, No. 2, pp. 103-104.

TABLE 2

Relationship of net to gross output of agriculture and industry in four eastern European countries

	1950	1951	1952	1953	1954	1955	1956	1957
Agriculture								
Czechoslovakia								
Annual percentage change — net	10	−9	−4	10	−12	10	−4	—
gross	5	1	−4	4	−2	11	2	−1
Eastern Germany								
Net as a percentage of gross	71.5	67.7	69.8	65.2	67.3	65.8	63.7	66.8
Net as a percentage of gross	61.7 [a]	51.9 [a]	50.6 [a]	50.6 [a]	52.8 [a]	52.3 [a]	. .	. .
Hungary								
Net as a percentage of gross	. .	. .	. .	. .	62.7	64.8	61.4	63.8
Annual percentage change — net	12	19	−38	39	−5	16	−17	18
gross	6	16	−24	20	2	12	−12	13
Poland								
Net as a percentage of gross	. .	. .	. .	. .	. .	41.5	42.6	. .
Annual percentage change — net	. .	. .	. .	. .	. .	. .	5	4
gross	. .	. .	. .	. .	. .	. .	6	4
Rumania								
Net as a percentage of gross	55.7	60.8	56.6	58.8	58.6	62.5	55.4	70.2 [b]
Annual percentage change — net	. .	34	−13	20	−10	34	−38	53
gross	. .	. .	−6	16	—	19	−20	21
Industry								
Czechoslovakia								
Annual percentage change — net	5	17	10	5	4	11	9	8
gross	16	14	18	9	4	11	9	10
Hungary								
Annual percentage change — net	20	18	18	10	—	8	−9	16
gross	26	27	22	11	5	9	−9	16
Poland								
Annual percentage change — net	16	8	13	16	10	15	6	9
gross	31	24	19	18	12	11	10	10
Rumania								
Net as a percentage of gross	48.4	48.8	48.3	48.6	44.2	45.0	42.4	45.2 [b]
Annual percentage change — net	74 [c]	29	17	14	6	20	3	15
gross	73 [c]	24	17	15	6	14	11	8

Sources: Statistical yearbooks; and *Népgazdasági mérlegek reáljövedelmek 1956*, Budapest 1957.

NOTE. — Annual percentage changes are in constant prices and shares of net in gross output are in current prices.

[a] From values in constant prices.

[b] Estimated from changes in net and gross output in constant prices.

[c] Increment over 1948.

carried on, particular emphasis was laid on the reduction of housebuilding costs. In Czechoslovakia, for example, the construction time per dwelling completed in 1958 was 13.3 months compared with 14.5 months in 1957.[9] The Soviet decree published in August 1957, providing for a rapid increase in dwelling construction, introduced numerous measures for trimming costs, notably the introduction of regional cost ceilings per unit of floor space.[10]

Recent revisions in construction planning in the Soviet Union aim at reducing waste occasioned by long interruptions to building work as a result of inconsistencies between the construction, supply and finance plans.[11] An instruction of the USSR State Planning Committee, published in August,[12] required Union-Republican planning authority for any new construction site and the assurance of supplies and funds throughout the building period by subsequent

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[9] See the Plan Fulfilment Report, which pointed out that the period could be still further reduced.

[10] See the SURVEY for 1957, Chapter I, p. 21, and *Economic Bulletin for Europe*, Vol. 10, No. 1, p. 38. An additional measure was to forbid the use of the ground floors of new blocks of flats as shop or restaurant premises. A deputy from the Ukraine asked at the last session of the Supreme Soviet for this to be repealed (G. P. Butenko, *Izvestia*, 24 December 1958). The number of shops per inhabitant is currently very low in the Soviet Union (see Chapter IV, section 3, below) and this measure does not help to improve the situation.

[11] For example, in 1958 there was a difference of 60 million roubles between local-authority housing plans in the Russian Federation and their financial allocations (G. Smirnov, *Stroitelnaya Gazeta*, 17 October 1958).

[12] *Planovoe Khozyaistvo*, No. 8, pp. 95-96.

TABLE 3

Industrial employment and productivity in eastern Europe and the Soviet Union

Percentage increase over previous year

Country	Employment				Output per man			
	1957 Actual	1958 Plan	1958 Actual	1959 Plan	1957 Actual	1958 Plan	1958 Actual	1959 Plan
Albania	11	9	..	8	12	8	..	9
Bulgaria	15	4 [a]	9	..	0	7 [a]	6	..
Czechoslovakia	3.9	3.4	3.6	2.2	6	4.6	7.4	7.1
Eastern Germany	3.8	2	2.0	1.2	5	5	8.7	9.6
Hungary	—	1 *	3.7	1.9	17	6.5	8	3.2
Poland	3.9	2.9	1.2	2.1	5.8	4.0	8.2	5.4
Rumania	—	1	3	2	8.3	7	6.3	6.4
Soviet Union	3	2.0	3	..	6.6	5.4	6	..

Sources and methods : See Appendix B.

[a] A comparison of the 1958 Plan Fulfilment Report with the original Plan indicates that the plans for increases in manpower and productivity must have been revised during the course of the year to 6 per cent and 3 per cent respectively (see Appendix B).

automatic inclusion of the project in each succeeding annual supply and financial plan. The Government also ordered all projects and unfinished sites to be reviewed by 1 July 1958 and subsequently made some marginal curtailments of the building programme. A similar aim in Hungary led to new regulations early in 1958 requiring advance approval (based on a study of full technical details and economic implications) for all major investment projects; and a resolution of the Central Committee of the Rumanian Workers' Party in November called for a closer scrutiny of both the cost and the productive utility of construction plans by the State Planning Committee. There was, however, a 5 per cent increment in unfinished construction in Czechoslovakia.[13]

In the Soviet Union, a general census of equipment in all State enterprises was effected on 1 August 1958 covering, in contrast with previous censuses (1948, 1951, 1955), all types of specialized equipment instead of general-use machinery. Its aim was to reveal surplus installations — which have probably diminished in the past year in view of the numerous reports of transfers between enterprises in the new sovnarkhozy— notably for transfer to local industry [14] and agriculture. Czechoslovakia has followed the Polish lead in beginning to reactivate small brick kilns which fell into disuse during the post-war years of nationalization and discrimination against private industry; and a similar programme exists in the Ukraine, where discrimination against collective-farm enterprises had resulted in capacity for annual production of about 800 million bricks remaining idle in 1956.[15] Other measures intended to mobilize some of the " reserves " in the economy in Czechoslovakia and Rumania were directed against pilfering of state property. Such losses were over 50 per cent greater in the first six months of 1958 than in the same months of 1957 in Czechoslovakia,[16] and the Government is preparing an ordinance on the problem. In Rumania trade unions were called upon to create " judgement councils " in enterprises to try cases of minor thefts (up to 200 lei); and the courts stiffened penalties for larger thefts.

At the same time, financial incentives to managers of industrial and agricultural enterprises were variously revised to encourage a better use of capacity and other resources, following the devolution of industrial management introduced during the year in Czechoslovakia, eastern Germany and Bulgaria, and the gradual introduction of reforms earlier decided in Poland.[17] In the Soviet Union, the use of output per unit of fixed capital as a planning parameter — as in Hungary — has been recommended by the Minister of Finance,[18] who has promised to study the numerous proposals put forward recently to increase enterprise self-financing [19] and to enlarge the incentive nature of the enterprise fund (see section 2 below). The Bulgarian change of plan fulfilment measurement from gross to net production, as part of the 1959 planning reforms,[20] was similarly directed at fostering better husbandry of resources by enterprises. The numerous measures to improve incentives for farmers are summarized in section 3 below.

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[13] The Chairman of the State Planning Office, *Rudé Právo*, 24 November 1958.

[14] Viz. industrial enterprises subordinate to oblast and municipal councils (cf. SURVEY for 1957, Chapter I, p. 33) ; these were not subject to the census of equipment.

[15] *Voprosy Ekonomiki*, No. 12, 1958, pp. 87-88.

[16] *Rudé Právo*, 6 December 1958.

[17] See the SURVEY for 1957, Chapter I, pp. 38-41 and the *Economic Bulletin for Europe*, Vol. 10, No. 1, pp. 34-35. In Bulgaria, new measures introduced in February 1959 are on the lines of the 1957 Soviet reform transferring industrial management from ministries to regional councils ; co-operative farms, under the planning authority both of these councils and of the Ministry of Agriculture, are to become responsible for rural industries and crafts in their villages.

[18] A. Zverev, *Pravda*, 24 January 1959.

[19] E.g., A. Krylov, *Kommunist*, No. 6, 1957, p. 47 ; I. Usatov, *Voprosy Ekonomiki*, No. 6, 1958, p. 80; G. A. Kozlov, ibid., No. 7, 1958, p. 164.

Manpower and Productivity

Three countries of the region (the Soviet Union, Poland and eastern Germany) are at the present time confronted with the demographic problem of a reduced intake of new entrants to the active labour force.[21] As Table 3 shows, the Soviet Union and all the countries of eastern Europe planned in 1958 to increase industrial employment in the state sector by some 1 to 4 per cent — in Albania by much more — and everywhere by less than the previous year's increment (save in Hungary and Rumania, where no rise was registered in 1957). In all the Balkan countries and Hungary,[22] more workers were recruited than had been originally planned, though in Hungary and Rumania productivity still contributed more than employment to the growth of total output. In the Soviet Union both labour intake and productivity rose faster than had been foreseen.

In two countries, the Soviet Union and eastern Germany, these large productivity increments were obtained despite reductions in the standard working day. Soviet industrial labour productivity per man-hour rose by 9 per cent (compared with the rise of 6 per cent on a yearly basis), the working day having been curtailed by an hour in ferrous metallurgy, coal-mining and the cement and concrete-component industries during 1958. A decree of 4 November 1958 stated that the first stage of the current programme of reductions — the curtailment of hours in the armaments, aviation, shipbuilding, radio, fuel, metallurgical and chemical industries — was to be completed by mid-1959, and that hours in the remainder of engineering and metal-working would be reduced from eight to seven by the end of 1959. The average statutory working week would thereby become 42.1 hours, as compared with 45 hours in 1957 and just over 44 hours by the end of 1958.[23] The directives on the Seven-year Plan voted by the XXI Congress of the Communist Party of the Soviet Union [24] foresee the later extension of the seven-hour day (five hours on Saturday) to all other sectors, with a five-day working week of 30 to 35 hours as the rule by 1968. A reduction of statutory working hours in eastern Germany averaging three hours per week was accompanied by a rise in productivity per man-hour by 11 per cent in 1958. In Czechoslovakia, Hungary and Poland, work attendance improved, and in Czechoslovakia was the best for many years (in industry 91.6 per cent of duty hours in the first ten months of 1958 compared with 90.1 in the same period of 1957), and in all three countries the improvement was largely attributable to a reduction in absences due to illness and accident. Nevertheless, Sunday shift working in Czechoslovakia was extended from mining to building in September.

There has been much recruitment for specific agricultural projects, usually under the ægis of the official youth movement. In 1955-58, 1,950,000 Soviet young people went, under Komsomol arrangements, to Kazakhstan, Siberia, etc., for the virgin lands and other development campaigns;[25] and in February 1959 a new campaign was launched to encourage girls to migrate so that permanent households could be founded in the new areas. The Congress of the Czechoslovak Youth Union resolved in December 1958 to encourage 40,000-45,000 youths annually to take up permanent work in agriculture; and in the first seven months of 1958 the Albanian Union of Working Youth sent 3,560 youths to work on livestock farms.

The contrary movement from farming to other occupations is still, in most countries, a major source of industrial recruitment; and in Hungary the industrial labour lost by emigration after the uprising was compensated, mainly from this source, by early 1958. Movement out of other non-farm sectors is continuing; and administrative services, already curtailed in recent years, are being further compressed. The abolition of industrial ministries in Bulgaria in 1959 will be accompanied by re-direction of many of their employees to production jobs; and in 1958 administrative employment fell by nearly 100,000 from its 1957 level of 1.3 million in the Soviet Union, while 300,000 men were released from the armed forces. Soviet railway staffs have long been frozen, and will continue to be throughout the Seven-year Plan: in 1958 the exploitation staff was only 1 per cent above that of 1955, although traffic (in ton-kilometres) had risen by 30 per cent, and by 1965 it will increase only by 4 per cent, against a traffic increment of 40-45 per cent.[26] The Plan also foresees the release of 400,000 workers from forestry.

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[20] The same reform has been mooted within the USSR State Planning Committee.

[21] See the SURVEY for 1957, Chapter VII.

[22] In Hungary, manpower in co-operative and private industry also rose in 1958, by 8 per cent.

[23] 47.2 hours in 1955. These data are based on statistics for 1955-1957 in *Trud*, 22 January 1959 and, for 1958-1959, on employment in the affected industries (*Promyshlennost SSSR*, 1957, p. 24).

[24] *Pravda*, 8 February 1959.

[25] Komsomol letter to the Party Central Committee (*Pravda*, 30 October 1958).

[26] M. Linkov, *Gudok*, 14 January 1959 ; for the nature of the rationalizations proposed, see ibid., 20 December 1958.

In Poland employment policy in 1958 was directed mainly towards a redistribution of the labour force. As a result, a 1 per cent increment in employment in the socialist sector was accompanied by increases in staffs in trade (9 per cent), social services (8 per cent), transport (4 per cent) and industry (1 per cent), and by cuts in the central administration (14 per cent) and state farms (12 per cent). There was also an undesired fall of 1 per cent in the building labour force. Demand for male labour (particularly in building) remained in excess of supplies and there was no shortage of posts for technicians and qualified apprentices (partly because the extension of compulsory education reduced the number of vocational-school leavers from 105,000 in 1957 to 75,000 in 1958). However, the numbers of women unsuccessfully seeking work rose, and it is hoped to increase employment opportunities for women in 1959.[27]

In countries other than Poland, various measures were taken during 1958 to increment the normal growth of the manual labour force. In the Soviet Union the educational reform enacted in December 1958 seeks to extend the combination of work with education and, at the same time, to instil acceptance of manual labour among secondary-school leavers (who tend to prefer white-collar jobs).[28] Voluntary work on public-utility projects is being fostered in Rumania, and in eastern Germany, Bulgaria and Albania office workers are ordered to take up manual employment for one month in 1959 and subsequent years. The rapid development of agriculture in Bulgaria, hoped for in 1959 under the revised Five-year Plan, is partly dependent on the organization of large-scale winter work — on irrigation, etc. — by peasants. In eastern Germany and Albania, an education reform similar to that introduced in the Soviet Union operated in the 1958/59 school year; and the new eastern German " polytechnical " curriculum brings school-children into contact with manual work at all stages in their education.[28]

Migration to western Germany continued to intensify the eastern German labour supply problem, but this movement has diminished. Emigration of manual labourers declined in 1958, but that of the liberal professions has noticeably risen:

Registered migration from eastern to western Germany

	Total	*Engineers and chemists*	*Medical doctors*	*Teaching professions and students*
1955	252 870	2 583	344	4 555
1956	279 189	2 797	467	3 884
1957	261 622	2 295	440	4 187
1958	204 092	2 529	1 242	5 611

Source: Bulletin of the Press and Information Office of the German Federal Government, 27 January 1959.

Since these figures cover only migrants applying for registration they are incomplete and cannot be compared with the roughly 50,000 a year registered arrivals in eastern Germany. However, the east German Statistical Office reported a net emigration of about 242,000 in 1957. The flow to eastern Germany in 1958 is reported to have slightly increased.

External Balances and the Resources Domestically Available

The contributions of rising employment and productivity to resources available for domestic use were supplemented in eastern Germany and, most probably, in the Soviet Union by the effects of changes in current balances of payments surpluses in 1958. By contrast, export surpluses, reversing the deficits of 1957, had been planned for 1958 in Czechoslovakia, Hungary and Poland;[30] and these were achieved. For the first two of these countries improved terms of trade reduced the consequential slowing down of the growth of resources available for domestic use; but in Poland worse terms of trade further reduced the possible growth, in real terms, of domestic expenditures which rose by 4 per cent.

The Soviet Union seems to have enjoyed a slight improvement in its terms of trade in 1958, whereas they had probably deteriorated in 1957.[31] Its imports and exports of raw materials are of the same order of magnitude; but whereas substantial amounts of the former are bought outside the " eastern " trading area, the latter are sold largely within the area and generally at prices ruling in " western " world markets in the previous year. The 1958 fall in world prices for certain primary commodities thus probably advantaged the Soviet Union. A more important element in the change in the Soviet foreign balance was, however, the stabilization of — or possibly even a fall in — deliveries of exports on credit and a substantial rise in the net surplus of imports from mainland China, reflecting debt repayments by that country. According to statements in November 1958 by the Minister for Foreign Trade[32] of mainland China about the percentage increments in trade to be expected, the planned development was as follows:

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[27] *Trybuna Ludu*, 27 November 1958 and 10 February 1959.

[28] See *Economic Bulletin for Europe*, Vol. 10, No. 3, p. 41.

[30] See the SURVEY for 1957, Chapter I, Table 14, for the plans of the last two countries.

[31] A volume index of Soviet foreign trade turnover (imports plus exports), released at the end of last year, points to an increase in unit values during 1957. The volume index rose from 1.6 in 1956 to 1.7 in 1957, while the value of turnover rose by 12 per cent. The apparent increment in volume if the indices were unrounded is shown in Table 1, but if the 1956 figure was the extreme upward and the 1957 the extreme downward rounding, no change in unit values would be indicated. In 1957, compared with 1956, unit values in world trade were almost unchanged for primary commodities but rose for manufactured goods ; and the Soviet Union is a net importer of the latter group.

[32] Quoted in *New York Times*, 8 November 1958.

Millions of roubles at current prices

	1955	*1956*	*1957*	*1958 Plan*
Soviet exports to mainland China	2 993	2 932	2 176	2 440
Soviet imports from mainland China	2 574	3 057	2 953	3 630
Soviet balance of trade	+419	−125	−777	−1 190

The pressure of domestic demand in China caused some export contracts with capitalist countries to be renounced at the end of 1958, and it is, of course, possible that deliveries to the Soviet Union in that year did not in fact reach the levels foreseen. Looking ahead, the deliveries of 5 billion roubles' of industrial equipment by the Soviet Union — for 78 major industrial enterprises — now agreed for the period 1959 to 1967 may imply a change to a Soviet export surplus with China in the fairly near future.[33]

The scaling-down of Soviet occupation costs during 1957 (they were eliminated from 1 January 1959) began for eastern Germany the transformation of deliveries to the Soviet forces from a charge on the economy into an invisible export with counter-deliveries on visible account.[34] At the same time the eastern German visible export surplus with the Soviet Union (needed mainly for debt service and freight payments) was run down in response to new credit deliveries by the Soviet Union. The over-all visible export surplus did not fall at all in value in 1958; but import prices fell and export prices seem to have risen.

The Hungarian terms of trade and export surplus improved sufficiently for debt repayments to be advanced in 1958. At the end of the year two capital-development loans were negotiated with the Soviet Union,[35] but their effects cannot outweigh the amortization of earlier debts still to be made in 1959 and subsequently. Czechoslovakia also benefited from improved terms of trade, obtaining 15.4 per cent more foreign exchange for an increment of 10.8 per cent in export volume over 1957. Whereas during 1957 Czechoslovak export prices had fallen by 2 per cent over all and by slightly more in trade with other countries of the " eastern " trade region, the price rise of 1958 was almost exclusively due to improvements in " capitalist " markets. Average unit values of goods imported from the latter countries fell by 1 per cent, but a small rise in prices paid to other trade partners exactly offset the gain.

Poland obtained a loan from the United States Export-Import Bank of $25 million, but repaid short-term credits (contracted in 1956 and 1957) to the same amount. However, an agreement on delivery of $75 million of United States agricultural surpluses against payment in zlotys also provided additional supplies to the economy, and some credit deliveries were received in 1958 under agreements concluded with the Soviet Union the previous year. Export prices — notably for coal — declined steeply; and the 1958 exports of $1,050 million would have made $1,175 millions at 1957 prices. The much smaller fall in import prices provided only a partial compensation.

Bulgaria too had some credit deliveries during last year under the agreements with the Soviet Union of February 1956 and February 1957, and in 1958 the visible export surplus fell by $26 million to $12 million. Deliveries under further credit agreements with the Soviet Union, signed in July and December, will begin in 1959 and an import surplus is planned for that year. Rumania, on the other hand, transformed a trade deficit in 1957 into a surplus in 1958; and Albania may possibly have gained its objective of further diminishing its trade deficit, predominantly with the Soviet Union. The rise in 1958 visible trade turnover in Albania was 30 per cent against a planned 43 per cent.[36] Soviet assistance—including a 300-million-rouble credit — to the Albanian Third Five-Year Plan (1961-1965) has been announced; and a Chinese loan of 55 million roubles has also been promised for that period.

The Share of Accumulation

Irrespective of the rate of growth of output, or of the impact of developments in foreign trade on the growth of resources available for domestic use, fixed capital formation seems everywhere to have absorbed a larger share of resources than in 1957, and the same is almost certainly true of total domestic investment including stock-building. This reversed the change in the pattern of development of domestic expenditure in eastern Europe (though not in the Soviet Union) in 1956 and 1957, when consumption has been allotted a greater share than before of domestic product. Patently this had not signified any modification of the objective further to industrialize these economies, and the growth of national income had, in fact, permitted a reduction of the share of accumulation without significantly diminishing its volume except in Bulgaria and Hungary.[37] At the same time there was in most countries a short-term fall in the marginal capital/output ratio, despite a rising share of non-productive investment in the total. This fall derived from the completion of long-standing industrial and other projects (upon which resources were particularly concentrated), from the allocation of more funds to investments yielding almost immediate increases in output, and from the opening of supply bottlenecks in raw materials and energy, in some cases via a preliminary speeding-up of investment in stocks. These capital-efficient policies generally persisted in 1958.

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[33] This is not, however, certain since the credit element — if any — in the new agreement has not been clearly stated (see *Pravda*, 8 February 1959). The fact that mainland China has had a large visible export surplus with the Soviet Union (some of it probably required to meet a deficit on current invisible transactions and repayment of earlier debts) in recent years, despite the announcement in 1956 of an agreement on 2½ billion roubles' of goods to be delivered to China and " to be subsequently paid for by China in commodities ", suggests that probably only short-term " swing " credit is involved in such agreements.

[34] Mr. H. Rau, Minister of Foreign Trade, *Der Aussenhandel*, 13 January 1959.

[35] In November of 110 million roubles for a nitrogenous fertilizer plant and in December of 300 million roubles for an oil refinery and a hydro-electric station.

[36] Mr. V. Kati, Deputy Minister of Trade, *Zeri i Popullit*, 12 November 1958: exports in tons were to rise 30 per cent. A gain was expected from selling petroleum products in place of crude oil (thanks to the opening of the Cerrik refinery) but oil output declined (see section 4 below) although exports of chrome and copper expanded and of iron ore began.

The coverage of the estimates of changes in fixed investment shown in Tables 1 and 4 varies considerably from country to country, being least comprehensive in Bulgaria, and complete, or virtually so, in Czechoslovakia, eastern Germany, Hungary and Poland. For other countries preliminary indications suggest that, even though not all targets for centrally planned investment were reached, the impression of a generally substantial rise over the 1957 levels would if anything be reinforced if the whole field, including stockbuilding, were covered. In the sectors outside the area of central investment planning — notably collective farming in the Soviet Union, Bulgaria and Albania, and private housebuilding almost everywhere — substantial increments were recorded; and indeed housebuilding rose so fast as once again to run up against limitations in the planned supply of building materials in a number of countries. Such strains have led to capital outlay by local and co-operative industry in the Soviet Union in 1959 being once again frozen at its 1957 level.

The share of housing in total fixed investment rose in most ~~countries in accordance with the plans~~ for 1958[38] and in the Soviet Union, Poland and Hungary, the plan was exceeded. In Hungary the excess was 10,000 dwellings over a plan of 32,000 largely attributable to — partly subsidized — private building. Housing completions were, however, lower than in 1957 in eastern Germany and Czechoslovakia, though investment in dwellings nevertheless rose, while in Rumania housing construction — and indeed total social investment — in the state sector declined. In most countries the trend in total social amenity construction has been upward, but in the Soviet Union the diversion of capital allocations from heavy industry to such objectives by sovnarkhozy led to the institution of stricter controls.[39]

TABLE 4

Gross fixed investment in the Soviet Union and eastern Europe

Billions of national currency at constant prices [a]

Country	1957	1958		1959
		Plan	Actual	Plan
Albania	7.2	11.0	9.7	13.6
Bulgaria	3.5	4.1 [b]	4.2	. .
Czechoslovakia	31.6	34.8	33.1	37.3 [c]
Eastern Germany . . .	10.5	12.5 *	12.1	14.7
Hungary	11.1 [d]	12.6 [e]	12.0 *	14.7
Poland	62.4	64.4	65.4	71.0
Rumania	13.7	13.3	15.3	17.6
Soviet Union	178	204	198	231

Sources and coverage : See note to Table 1, and Appendix B.

[a] Data for eastern Germany and Hungary are in current (but virtually unchanged) prices. For other countries the base year prices are: Albania and Bulgaria 1956; Czechoslovakia and Poland 1958; Rumania and the Soviet Union 1955 (but in the case of the Soviet Union at 1956 standard tariffs).

[b] During the year the plan was apparently revised upwards to 4.3 billion levas.

[c] A statement in *Rudé Právo*, 23 January 1959, implies that in current prices this would be Kčs 44 billion.

[d] The first official announcement on investments in 1957 reported a decrease by 15 per cent by comparison with 1956 (see *Népszabadság*, 2 February 1958), which represents 9.8 billion forints — probably at comparable prices.

[e] Initial plan was 10.9 billion forints.

Stock-building almost certainly increased in Czechoslovakia, eastern Germany ~~and Hungary in 1958~~. In Rumania some run-down of consumer-goods stocks had been planned as a consequence of the wage reform at the end of 1957. In Bulgaria stocks of foodstuffs declined, but those of manufactured consumers' goods probably rose. The substantial stocks of consumers' goods imported from the Soviet Union to cover the lifting of rationing in late 1957 were undoubtedly drawn upon by Albania, and there was also some de-stocking of consumers' goods in eastern Germany. In Poland stock increments in 1957 had been very largely raw materials; but in 1958 stocks of consumers' goods rose and total investment in stocks and work in progress can have changed very little.[40]

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[37] Hungary, two years after the uprising, has recovered its capacity to accumulate, and accumulation (including foreign debt repayment) in 1958 was 5 per cent higher than in 1955 though still 5 per cent below the 1953 level. Net fixed investment was as high as in 1956 but still some 20 per cent less than in 1953. The combined total of stock accumulation and net foreign debt repayment amounted to 10 per cent of the national income after the heavy running down of stocks in 1956 and the stock-building financed from foreign loans in 1957. However, the rise in personal incomes came practically to a halt — even though the advancement in the years 1954 to 1957 was maintained.

[38] See SURVEY for 1957, Chapter I, pp. 21-22, and section 5 ; and *Economic Bulletin for Europe*, Vol. 10, No. 1, pp. 38-39.

[39] Under the regulations noted in footnote 12 above. For the diversions criticized, see editorial in *Pravda*, 13 August 1958; L. Slepov, ibid., 1 September 1958; A. Vozyakov, *Sovetskaya Rossiya*, 26 August 1958; *Planovoe Khozyaistvo*, No. 8, 1958, loc. cit.; and *Izvestia*, 5 October 1958.

[40] The 4 per cent rise in disposable national income in Poland is reported to have been absorbed by increases of 4 per cent in both consumption and total accumulation, within which net fixed investment rose by 9 per cent.

Few data on the composition of industrial investment are yet available. In Bulgaria the upward revision of production targets for 1962 was accompanied by a sudden spurt of centrally planned investment in 1958, which must have included many new projects, and a similar rise in investment is likely to have occurred in Rumania and Albania. Elsewhere, the completion of the projects under the current 1956-1960 Plan has, of course, been a major objective; but capital repairs and replacements, especially in Poland and Hungary, and modernization in Czechoslovakia and eastern Germany, seem to have continued to receive some priority, assisted by the somewhat greater autonomy in this field given to enterprises.[41] In the last two countries, investment in equipment rose faster than industrial construction: in eastern Germany it was one-third greater than in 1957 and virtually the whole increment of output of equipment was absorbed at home, a 10 per cent rise in exports being accompanied by a doubling of imports.

Equipment supplies played some part in regulating the sector allocation of investment in the Soviet Union, and inadequate deliveries of plant were said to have held back fulfilment of the huge increment planned in chemicals investment.[42] The data so far available on the pattern of Soviet gross fixed investment are summarized below:

Percentage increments over previous year, in constant prices

	1958 Plan	*1958 Actual*	*1959 Plan*
Chemicals	54	39	71
Ferrous metallurgy	27	21	32
Oil	31	15	23
Gas		48	
Electric power stations	..	5	..
Engineering	.. [a]	..	33
Building materials	..	25	..
Timber and paper	..	2	..
Textiles, clothing, leather and food	..	16	..
Housing	19	33	17

Sources: SSSR v tsifrakh, p. 447; *Izvestia*, 27 January and 23 December 1958, and 16 January 1959.

[a] Decrease planned.

The expansion of investment in the chemicals industries is also being pressed vigorously in some eastern European countries, notably in eastern Germany, Poland and Rumania (where it rose by no less than two-thirds in 1958).

2. INCOMES AND CONSUMERS' SUPPLIES

The general picture of the markets for consumers' goods in eastern Europe and the Soviet Union in 1958 shows a much better balance than last year, achieved largely by a virtual stabilization of average per capita real incomes in Poland and Hungary and marked reductions in rates of increase in most other countries. Only in Albania were average real incomes allowed to increase faster than in 1957 — and in eastern Germany nearly as fast. With demand thus kept in check, and the generally more than proportionate increases in supplies of consumers' goods, the strains of 1956 and 1957, when consumers' purchasing power in many countries rose faster than the available supplies, were substantially relieved.

Changes in Incomes and Consumption

After the extraordinary rise of real wages in Hungary and Poland in 1956 and 1957 (illustrated by the figures in Table 5) wage increases were granted in 1958 to only a few selected categories, mostly those left out of the wage settlements of the preceding years — such as teachers and workers in health services in Poland. In Hungary also, teachers' salaries were raised by 13 per cent on 1 January 1959, and wage adjustments for some workers in the health services were put into effect a month later; but in 1958 the only increments in per capita non-farm incomes were due to the somewhat expanded benefits accruing to wage-earners from the profit-sharing schemes[43] and to a further increase in activity rates in the non-farm population. Total wage bills in the two countries were held down — in Hungary even below the planned level — partly by tighter wage discipline, including more efficient control of banks over enterprise finances;[44] but

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[41] Principally by raising depreciation charges and the share of them retained by enterprises. Investment out of decentralized funds rose particularly fast in Poland.

[42] V. Fedorov, President of the State Committee on Chemicals of the USSR, *Pravda*, 14 January 1959.

[43] In both Hungary and Poland distributions to workers from enterprise funds — not included in the data in Table 5 — amounted to about 2 per cent of the total wage fund and rose somewhat above the 1957 level (see below). Elsewhere they were of negligible magnitude.

[44] Some enterprises in Hungary introduced also the so-called " time-wage system linked to efficiency standards ", which means in practice that no higher earnings are paid for above-standard performance, but deductions are made if the required standards are not met.

TABLE 5

Changes in per capita nominal and real wages

Percentage increases over preceding year

Country	Nominal wages				Cost of living			Real wages				
	1956	1957	1958		1956	1957	1958	1956	1957	1958		1959 Plan
			Plan	Actual						Plan	Actual	
Albania	..	..	..	1	..	..	−5	..	4	8.5	6	
Bulgaria	2.4	4.3	2.1	2.3 [a]	−6	..	..	9	..	..	..	..
Czechoslovakia	3.9	2.0	..	2.1	−2,6	−1.9	0	6.7	4.0	..	2.1	1.6
Eastern Germany	3.0	4.0	5.4 [b]	6.5 [c]	−0.5	−1.6	..	3.5	5.7	..	..	..
Hungary	8.0	16.2	..	2.6 [a]	−1	1.4	0.6	9.1	14.5	4.6	2.0	4.0
Poland	10.9	19.4	3.4	6.3	−1.0	7.0	2.7	12	11.6	..	3.5	2.3
Rumania	..	10	7	7	..	..	..	..	..	..	..	..
Soviet Union	..	..	..	..	..	..	..	3.6	7	..	5 [d]	..

Sources : Plans, plan fulfilment reports and national statistics; *Hospodářské Noviny*, Nos. 35 and 50, 1958; and *Népszabadság*, 10 December 1958

NOTE. — Figures in this table refer to all wage-earners (in Hungary excluding the co-operative sector) except in Bulgaria, where they cover industry only.

[a] First nine months only.

[b] Increase in wage fund.

[c] In industry only.

[d] Refers to total working population.

perhaps of more importance in Poland was the negligible expansion of non-agricultural employment, due partly to demographic causes and partly to attempts to reduce labour redundancies.

Real farm incomes also fell slightly in Hungary, in the face of a worse harvest and reductions in farm prices. In the first ten months money incomes were the same as in the same months of 1957, implying a fall of about 5 per cent in real terms following the rise of about 16 per cent in 1957 : by contrast, the money receipts of Polish peasants from state purchases increased by as much as 15 per cent, due partly to the rise in prices paid for compulsory deliveries of grain and potatoes and to further declines in the share of these deliveries in total sales.[45] Though this rate of growth of incomes was less than the 32 per cent rise in 1957, it was not accompanied by such steep increases in prices of farmers' supplies as occurred in that year. A welcome rise in the proportion of animal products in total farm output produced a more regular flow of farm incomes over the year, both in Poland and in Hungary.

Thus the virtual stability of total personal consumption in Hungary in 1958 (a rise of between 1 and 2 per cent is reported) probably reflects slightly more unfavourable developments among the farm population than for other groups. In Poland, on the other hand, the 4 per cent rise in the volume of total personal consumption probably benefited the farm population more than others, even though a part of the rise in farm incomes was devoted to investment.

In Czechoslovakia also, the 1.8 per cent rise in per capita real wages in 1958 was well below the increases registered in the two preceding years ; and total per capita personal consumption seems to have remained stable,[46] suggesting the probability of a similar stability, or even some decline, in the real incomes of peasants. This cautious policy towards personal incomes seems somewhat surprising in view of the 8 per cent increment recorded for net domestic product in 1958 and the growth of fixed investment by only 5 per cent. The swing round, between 1957 and 1958, from a rapid growth of imports combined with virtually stable exports to a marked rise in exports and fall in imports (see Table 1 above) must have considerably reduced the rise in resources available to meet domestic expenditures ; but it nevertheless seems highly probable that investment in stocks increased. This may have been the result of a decision to build up reserves of consumers' goods in preparation for the large-scale wage reforms stated to be imminent ; but a cautious policy in 1958 may also have been dictated by fears that a considerable part of any rise in real personal incomes, even if brought about by price falls for manufactured consumers' goods, would raise demand for foodstuffs and — in view of the very slow growth of agricultural output — the import bill.[47]

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[45] *Wiadmomsci Narodowego Banku Polskiego*, No. 12, 1958.

[46] Mr. O. Šimunek, the Chairman of the State Planning Office, quoted the figure of 16-17 per cent for the increase in personal consumption over the years 1955 to 1958. (*Rudé Právo*, 4 November 1958.) According to official statistics, personal consumption increased by 6.1 per cent in 1956 and by 8.8 per cent in 1957, implying that the increase in 1958 over 1957 was less than 1 per cent, against the planned increase of 4.9 per cent. According to the Plan Fulfilment Report, aggregate personal consumption rose by 2 per cent in 1958.

The main changes in real incomes in eastern Germany in 1958 occurred in connexion with the abolition of food rationing.[48] Compensations (through wages or social security benefits) for the resulting price increases, together with some other wage increases and price reductions in the course of the year, expanded the total real purchasing power of the population by DM 3.1 billion or the equivalent of about 9 per cent of aggregate personal incomes — little different from the rate of increase registered in 1957. This time, however, the impact on income structures was different: whereas in 1957 the main beneficiaries were pensioners, the 1958 improvements affected most favourably wage-earners, particularly those in the lower income brackets, and large families, partly at the expense of earners of incomes in the private sector. The retail price consolidation was combined with a reduction of the margin between the prices of compulsory deliveries and of free purchases from farms, without any consequential change in farm incomes for a given volume of deliveries. In fact, deliveries and farm incomes rose somewhat in 1958.

In 1958 global consumption per gainfully occupied person in the Soviet Union was stated in the annual plan fulfilment report to have risen by 5 per cent, but the usual break-downs for workers and for collective farmers were not quoted. The figure included all civilian collective consumption (education, health, social security outlay, holiday accommodation, etc.), global expenditure on which rose by 6.4 per cent, so that real personal incomes (including incomes in kind of collective farmers) probably rose by a little less than 5 per cent.[49] Since there were no major wage increases during the year,[50] it is certain that real wages increased by less, and farm incomes by considerably more, than the overall average. This would be in line with the long-term trend, which showed that peasants' real incomes in 1958 had increased by as much as 60 per cent since 1952, whereas between 1952 and 1957 real wages had increased by 30 per cent. Among other factors contributing to the more rapid rise in peasants' incomes in 1958 are, on the one hand, the record harvest and the increase in the collective farms' money receipts[51] and, on the other, the net effect of retail price adjustments which were somewhat less favourable to the workers.

The rather steep increases in nominal wages in Rumania in 1957 and 1958 (by 10 per cent and 7 per cent respectively), though accompanied by significant price increases, facilitated the carrying out of a wage reform the objectives of which stemmed from dissatisfaction — common to most governments of the area — with the incentive structures of the past wage system.[52] The table below indicates the changes made in Rumania in 1958, increasing the share of basic wages in total earnings at the expense of payments for over-fulfilment of norms, extending application of time-rates and tightening up or "putting on a scientific basis" work norms considered too lax in the past.

	Before reform	*After reform*
	(Percentages of total earnings)	
Derivation of earnings in industry		
Basic wages	61.7	79.1
Over-fulfilment of norms	26.2	9.2
Premia	5.6	4.8
Other supplements	6.5	6.9
Piece-rate workers as percentage of total		
In industry	74.8	58.0
In building	85.2	76.0
Average percentage over-fulfilment of norms in industry	160	120

Sources: *Economia Romineasca*, January-February 1958; *Scinteia*, 6 February 1958; *Munca*, 26 July 1958.

Similar reforms have been introduced more gradually in other countries, including the Soviet Union,[53] since 1956; but they were obviously slowed down in 1958 by the halt to increases in money incomes in most countries, which left less room for

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[47] Domestic food supplies were probably not higher in 1958, in spite of the reported increase in gross agricultural output by 3 ½ per cent, since the 1957 output was lower than that of 1956. Furthermore, it has been stressed (see, for instance, *Hospodářské Noviny*, Nos. 51-52, 1958, and *Rudé Právo*, 26 January 1959) that further important improvements in real incomes will have to be accompanied by substantial expansion of agricultural output. This points to the existence of unsatisfied potential demand for foodstuffs, on the one hand, and to unwillingness or inability to raise the net food import-bill on the other. Food imports rose by 12 per cent, in dollar value, in 1958 and food exports (mainly sugar) by 33 per cent; but the absolute increments in dollar values were practically the same.

[48] For a more detailed analysis, see *Economic Bulletin for Europe*, Vol. 10, No. 2, pp. 9-11.

[49] According to case data analysed in a paper submitted by the Academy of Sciences of the USSR to the thirty-first session of the International Statistical Institute in 1958, the ratios of social benefits to wage incomes varied from around one-third to one-half among various types of wage-earners' families.

[50] Most of the wage reforms noted in footnote 53 below were put into effect late in the year. The effects on the 1958 wage bill have not been stated, but the 1959 plan foresees an increment of 7.8 billion roubles (or around 1 ½ per cent) to the wage bill as the result of these reforms.

[51] See section 3 below.

[52] See the SURVEY for 1956, Chapter I, section 6.

[53] In the Soviet Union the completion of the reform by 1962 is foreseen. In 1958 wage reforms were introduced in metallurgy, coal mining, chemicals, cement making and other less important branches. For details, see *Sovetskaya Rossiya*, 22 January 1956; *Sotsialistichesky Trud*, No. 12, 1958, pp. 70-73; and *Gudok*, 6 June 1958.

TABLE 6

Changes in the current values of turnover in retail trade

Percentage increases over preceding year

Country	All commodities					Food [a]					Non-food				
	1956	1957	1958 Plan	1958 Actual	1959 Plan	1956	1957	1958 Plan	1958 Actual	1959 Plan	1956	1957	1958 Plan	1958 Actual	1959 Plan
Albania	18	22	31	27	15	..	..	..	..	..	..	..	..	..	..
Bulgaria	6.3	10.2	10	11	..	6.0	7.2	..	..	..	6.6	12.7	..	..	..
Czechoslovakia	6.7	6.9	4.0	1.4	4.7	4.0	2.7	2.3	2.0	..	10.6	12.5	6.4	0.6	..
Eastern Germany	3.2	6.7	4.0	9.5	11.1	3.3	4.8	2.3	9.9	8	3.0	9.4	6.4	8.9	15
Hungary	9.8	9.5	7.5	5	6.4	4.7	6.1	0.9	5	..	15.5	13.0	11.5	5	..
Poland	16.1	22.9	8.6	8.7	10.3	13.5	16.5	..	11.6 [b]	..	18.4	28.3	..	6.1 [b]	..
Rumania	10.0	13.0	12.0	3.7 [b]	9.5	8.0	11.6	..	4.7 [b]	..	12.0	15.7	..	3.6 [b]	..
Soviet Union	9.1	14.2	7	8.1	..	8.7	12.7	..	..	..	9.5	15.9	..	..	..

Sources : Plans, plan fulfilment reports and national statistics; *Der Handel*, No. 5, 1958, p. 258; and direct communication from the Bulgarian Government.

NOTE. — Data refer to state and co-operative trade, except for eastern Germany and Hungary, where the private sector (other than peasant markets) is included. For the coverage of " food " and " non-food " categories, see reference in Appendix B to Chart 1 of Chapter IV.

[a] Including public catering.

[b] First nine months only.

manœuvre in adjusting wage tariffs and inter-industry differentials.[54] At the same time other objectives of wage and social policies launched in 1956 — such as the improvement of the relative position of the lower income groups, of large families and of pensioners — have been pursued in 1958 or are embodied in the 1959 plans.

Thus " old portfolio " pensioners have been given full rights in Poland ; and a law abolishing the distinction between the " old " and the " new " old-age pensioners also comes into operation in Hungary on 1 January 1959, implying a rise of about 30 per cent in the total pension bill. In Bulgaria, pension funds increased by 30 per cent in 1958, partly due to their extension at the end of 1957 to cover the farming population. A more generous social insurance law was introduced in Albania in December, affecting old-age pensions, disability, sickness and pregnancy benefits. In Czechoslovakia, it is planned to raise still further the already quite substantial family allowances for the third and each consecutive child,[55] and in Hungary allowances are now paid unconditionally for children up to the age of 16. The institution of generalized family allowances in eastern Germany more than compensated for the loss of earlier cheap rations for children. Some reductions in salaries of the most highly paid officials etc. were made in eastern Germany ; and the new tax law introduced in Poland levies a stiff tax on very high incomes — 65 per cent on revenues above 25,000 zlotys per month (the average monthly wage in the socialist sector is about 1,500 zlotys).

Consumers' Supplies

As might have been expected, retail sales generally moved parallel to changes in incomes in 1958 ; and only in Albania, Bulgaria and eastern Germany was the rate of expansion of shop trade[56] faster than in previous years (see Table 6). As far as can be judged from available information, there have been important price changes only in Albania, eastern Germany — where, as has been mentioned, price adjustments followed de-rationing — and Poland. According to the Polish data for the first half of the year (and some stabilization was reported in the second half) the retail price index increased by 6 per cent for foodstuffs and by 4.4 per cent for manufactures, including producers' goods sold through the retail network.[57] In Albania a 7 per cent cut in the average level of retail prices was made in 1958 ; and the volume of retail sales rose rather more than the figures in Table 6 suggest, despite the inflation of the statistics as more private traders were absorbed

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[54] In Hungary, however, managers of enterprises set aside a part of the wage fund to provide a reserve which could later be used for small adjustments in relative wages.

[55] The scales of benefits will change as follows (Kčs per month) :

	Old scale	*New scale*
1st child	70	No change
2nd child	100	No change
3rd child	140	240
4th child	180	240
5th child	220	240

The average monthly wage is about Kčs 1,300.

[56] In Poland direct sales of agricultural products from farm to consumer increased considerably, and the figures in Table 6 somewhat underrate the over-all growth of sales, but in Hungary the opposite was true.

[57] *Wiadomosci Narodowego Banku Polskiego*, No. 12, 1958. However, the over-all cost-of-living index rose by only 2.7 per cent from 1957 to 1958.

into the co-operative network. In the Soviet Union a comparison of index numbers of volume and value of trade suggests a 2 per cent rise in retail prices from 1957 to 1958.

Lack of demand seems to have limited sales of some goods, such as textiles, in a number of countries; and this, combined with the effects of the often slow response of production to changes in consumers' preferences, tended to restrain the growth of total non-food sales despite the continued very strong demand for many such goods.[58] Moreover, the tendency for income increases to be concentrated on the lowest paid workers, pensioners, etc., probably raised demand for food more than would have been the case had they been more evenly spread over all income groups.

As has been noted in section 1 above, stocks of consumers' goods were drawn down in Albania, and probably in Rumania, while in Bulgaria a fall in food stocks was almost certainly accompanied by a rise in stocks of other consumers' goods. In Czechoslovakia and eastern Germany stocks of consumers' goods seem, on balance, to have risen — as they certainly did in Hungary (by about 8 per cent) and in Poland. In all these countries "unplanned" building up of stocks of some products was a feature of 1958. In Poland, for instance, the planned increase in trade stocks (from less than 4 billion zlotys in 1957 to more than 8 billion in 1958) was greatly overfulfilled; and, in addition, stocks of finished goods to the value of around 3 billion zlotys accumulated in industry. These increases have been almost exclusively in non-food stocks.

The general expansion of output and home-market supplies of non-food consumers' goods, and such products as tools and building materials, in recent years has not only raised the living standards of the town populations, but also provided an important element in the increased incentives for peasants to expand farm output and sales. The point has now been reached in some countries at which — provided that there is no new investment drive so intense as to require reconversion of capacity or diversion of materials and fuel supplies away from consumer-goods production — the future growth of output of manufactured consumers' goods seems virtually certain to outstrip that of foodstuffs for some time to come. At the same time, per capita demand for foodstuffs — particularly for higher quality foods — at present relative prices seems still to be growing fairly rapidly everywhere although, as noted above, it has already slackened for some other goods. In all countries for which data are available, food sales rose faster than non-food sales in 1958, despite a drop in sales of alcohol in nearly all countries of the region including the Soviet Union. Moreover the relative rates of growth of sales of food and of other goods were markedly different from those planned. Falls in sales volume were reported in Poland for textiles, shoes, radios, sewing machines and other items for which supply difficulties could not provide the explanation; and textiles sales fell also in Hungary.

Given the apparent unwillingness to raise net import-bills for food and the real difficulty of many of these countries in rapidly expanding exports of manufactures to outside the region, a policy of attempting — by price reductions, advertising or other means — to divert a greater share of increments of total consumers' purchasing power towards manufactured goods would seem, at least in the short run, to be reasonable.[59] In fact, price adjustments were decreed towards the end of 1958 in Poland and Bulgaria which, in the former country, involved reductions of some 20-30 per cent for some fabrics, articles of clothing and consumers' durable goods and, in Bulgaria, reductions of 20-40 per cent on some consumer-durables, 7-10 per cent on motor-cycles, 20 per cent on leather products, and other minor changes. Substantial price cuts were reported in eastern Germany for leather products (including shoes), for which surplus stocks were accumulating, and for some other manufactures. In the Soviet Union price cuts affected television sets, cameras and children's wear made from artificial fibres.

The Strengthening of the Role of Enterprise Funds

In Hungary and Poland, and to a lesser extent in Czechoslovakia, Rumania and the Soviet Union, 1958 witnessed further experiments with the idea of increasing incentives through workers' participation in enterprise profits.[60] No final decision seems yet to have been reached in any country either on the appropriate definition of profits for this purpose or on the principles on which the shares of workers should be determined and distributed.

In Hungary the 1957 system of transfers to enterprise funds based on achievement of a somewhat arbitrarily assessed planned profit was transformed into one in which transfers in 1958 were made only from "extra profit" resulting from reduction of costs below their level in the second half of 1957. The actual share of such profit transferred depended, however, on the decision of the supervising ministry in each branch of industry.

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[58] See Chapter IV, section 3, below.

[59] The call to "re-educate" consumers in this direction has been voiced in several countries recently. See, for instance, *Zycie Gospodarcze*, No. 50, 1958, *Der Handel*, No. 1, 1959, p. 8.

[60] See the SURVEY for 1957, Chapter I, and *Economic Bulletin for Europe*, Vol. 10, Nos. 1 and 2.

In Poland, the 1957 reform had raised, for a large sector of the economy, the statutory transfers to the enterprise fund on the attainment of the profit plan from the equivalent of 0.5 per cent to 1.5 per cent of the wage bill, and increased the allowance transferable on over-fulfilment of this plan from 10-30 per cent to 50 per cent of the over-plan profit. A new set of regulations issued in March 1958 — originally valid for one year only, but now extended to the end of 1959 — altered the basis of calculation of transfers to enterprise funds from actual profit to the rise in profits over the previous year's level. The same amount was permitted to be transferred in 1958 as in 1957 providing that total profit was at least 80 per cent of that in 1957, and additional sums became transferable if the 1957 level was exceeded. Some provision was made for adjustments to take account of changes in prices, employment, etc. ; but transfers do not seem to have been tied so precisely to cost reductions as in Hungary. This change was motivated partly by the view that the incidence of profits varied too much from one enterprise to another — for reasons unrelated to labour productivity or managerial skill — to provide a solid basis for rewarding efficiency, and partly by the desire to thwart the attempts of enterprises to manipulate the ratios of planned to unplanned profits in order to maximize increments to the fund.

Under new regulations introduced on 1 January 1959 in Czechoslovakia, payments are made to the enterprise fund only if the profit and the sales plans (rather than the profit and the cost plans as hitherto) have been fulfilled, whereupon the equivalent of 0.5 per cent of the wage fund, plus a percentage of over-plan profit (up to 0.2 per cent of the wage fund) may be transferred. These are markedly lower rates than those allowed previously (hitherto the equivalent of 1.2 per cent of the wage fund was transferable on the fulfilment of the plan) ; but the new rules, whilst restricting disbursements from the enterprise fund to social welfare schemes, introduce also a separate premium fund — largely destined to reward the technical and administrative staff and workers achieving exceptionally good results. The size of this fund is to depend basically on the rise in profit over the previous year, also with some adjustment to relate this to genuine cost reductions.[61]

In the Soviet Union, complaints were made that, being based solely on profits, the allotments to the enterprise fund are smaller per worker the more labour is employed per rouble of output, and that the proportion of enterprises within various branches obtaining any allotment varies inversely with the share of wages in the total cost.[62] Another source of dissatisfaction with the existing system is the rule according to which a part of the fund is spent on investment in plant — a purpose unrelated to the incentive character of the enterprise fund. As already mentioned, the system is to be reviewed.

The differences of approach both to assessment of profits and to the determination of the share to be allocated to the enterprise fund are also extended to the ways of subdividing the fund between housing and other social amenities, on the one hand, and individual payments and awards, on the other. In this field there is a basic difference between practices in Poland and Hungary, and those in all other countries of the area. In the first two countries, an overwhelming part of the fund — about 85 per cent in Poland and 75 per cent in Hungary — is now distributed in cash to enterprise employees, whereas in the other countries the (considerably smaller) funds are largely devoted to collective consumption. One reason for the setting up of a separate premium fund in Czechoslovakia is to facilitate control over the enterprise fund, too much of which had apparently been devoted to money awards while the part supposed to be spent on cultural, health, and other social purposes was not always fully utilized. Similarly, in Rumania, where enterprise funds tripled over the last three years, it was considered that too large a share had been distributed in individual payments : the new rules introduced in October 1958 therefore set a limit of a mere 5 per cent for distribution in cash and insist on at least two-thirds being used for construction of dwellings. As in Czechoslovakia, however, technical and administrative employees are to receive awards from a different fund specially created for the purpose. In the Soviet Union a decree published on 2 August 1957 required enterprises to devote the bulk of their funds (up to 70 per cent) to housing projects.

In Poland and Hungary, the distribution of individual rewards has largely been left to the discretion of enterprise authorities, the source of final decision varying with the strength of the workers' representation. In Czechoslovakia, the powers of the director over the enterprise fund were, from 1959, largely taken over by the trade unions (but his voice is still decisive for the granting of bonuses from the

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[61] The " norms " determining the relation between increase in profit and the increment to the premium fund have not yet been fixed and are to be introduced gradually; but it has already been estimated that in 1959 transfers will amount to about 3½ per cent of the industrial wage bill (*Rudé Právo*, 4 November 1958).

[62] An example of such inverse correlation in engineering was quoted in an article in *Voprosy Ekonomiki*, No. 6, 1958 (p. 76) which shows — at one extreme — textile engineering, where wages constitute 48 per cent of costs, having 28 per cent of enterprises qualified for the allotment, whereas among the enterprises producing accumulators, where wages amount to only 15.2 per cent of the cost, as much as 93 per cent of enterprises gained this right.

TABLE 7

Disbursements from enterprise funds in Poland in 1957 and 1958

	Individual payments out of enterprise funds as percentages of wage funds		Share of individual payments in total enterprise funds	
	1957	1958[a]	1957	1958
National economy	*0.7*	*2.0*	*66.3*	*84.1*
Industry	1.1	3.1	62.1	82.8
of which:				
Mining and electric power	0.8	2.9	67.4	80.6
Heavy industry	1.4	3.5	61.3	80.6
Chemical industry	1.7	4.5	66.8	88.1
Light industry	1.2	4.8	58.8	89.9
Food industry	2.3	4.0	48.3	73.3
Small-scale industry and handicrafts	0.4	1.2	69.3	81.8
Agriculture and forestry	0.2	0.4	70.3	87.5
Building	0.7	2.1	92.5	87.7
Transport	0.4	0.8	78.9	78.5
Trade	0.2	1.5	83.8	95.4

Sources : Biuletyn Statystyczny, No. 5 and No. 10, 1958; and direct communication from the Government.

NOTE. — For large economic sectors (industry, agriculture, etc.) the data are homogeneous in that both for the enterprise fund and the wage fund they refer to enterprises subordinate to the central and local governments. The ratios for industrial branches in columns 1 and 2, however, compare the enterprise funds of the centrally directed enterprises with the wage funds of all enterprises. The total amounts distributed from enterprise funds of the excluded enterprises amounted to around 20 million zlotys in 1957 and 73 million zlotys in 1958. Since most of these sums were distributed by the food and small-scale industries, it follows that the ratios for these branches are significantly under-stated. Total payments for the centralized food and small-scale industries amounted to 81 million zlotys in 1957 and 158 million zlotys in 1958.

[a] Disbursements in the first half of the year amounted in total to about 2.5 billion zlotys.

premium fund). Under their new terms of reference issued on 15 July 1958, similar rights have been granted to factory trade union committees in the Soviet Union.

The financial significance of the incentives offered to Polish and Hungarian workers under their profit-sharing schemes should not be exaggerated : the awards granted from this source amounted, in 1958, to no more than 2 per cent of the total wage fund in both countries ; and an amount equivalent to 8½ per cent of the annual wage bill is the maximum which may be distributed by any enterprise in Poland. Elsewhere the whole enterprise fund rarely exceeds the equivalent of one-half of 1 per cent of the wage fund.[63]

The Polish data in Table 7 show a considerable increase in total payments over the 1957 level but considerable variations among economic sectors. Within industry, the light and chemical industries appear to lead the field, with payments in the region of 5 per cent of their respective wage bills ; but it is obvious that the data referring to the food and small-scale industries grossly understate the importance of their enterprise funds. In Hungary, where differences among industrial branches were probably still greater,[64] the range of payments illustrated in Table 8 is very wide indeed. An important proportion of workers and employees (about 50 per cent in construction and trade) either did not qualify for awards or were not covered by the scheme in 1958, whereas about 10 per cent received the equivalent of a month's salary or more. The coverage of the schemes is to be widened in 1959 in both countries, but the total amounts of enterprise fund appropriations (4 billion zlotys in Poland and about 500 million forints in Hungary) are not expected to exceed significantly the 1958 levels. In Hungary enterprise authorities are advised to relate distributions to performance and length of service to a greater extent than before.

Differing views on the usefulness of enterprise funds are apparent in the countries of the region. One view — which predominates in Poland and Hungary — is that, although the individual rewards distributed from the profit pool are small, they nevertheless give workers an increased feeling of belonging to the enterprise and, in conjunction with

TABLE 8

Distribution of profits from enterprise funds in Hungary in 1958

	Industry	Construction	Trade
Average payments (forints):			
All recipients	*760*	*856*	*691*
Workers	720	809	641
Technical personnel	1 298	1 543	—
Administrative personnel	791	941	896
Percentage distribution of workers and employees according to amount of payment received			
All workers and employees	*100.0*	*100.0*	*100.0*
Nil	16.1	50.6	57.4
Below 400 forints	21.9	12.9	16.3
401-800 forints	30.0	15.9	12.4
801-1,200 forints	19.1	9.4	8.0
1,201-1,500 forints	6.8	4.7	2.4
1,501-2,000 forints	4.1	4.1	2.4
More than 2,000 forints	2.0	2.4	1.2

Source: Statisztikai Havi Közlemények, No. 6, 1958.

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[63] In the Soviet Union the average total of individual payments out of the fund amounted to around 0.5 per cent of the wage bill in 1956 and 1957 (*Voprosy Ekonomiki*, No. 1, 1959, p. 46). Judging by the planned 38 per cent increase in the volume of unallocated profits of Soviet enterprises (i.e., not allocated to the Budget, fixed or working capital), the fund was significantly greater in 1958.

[64] See *Economic Bulletin for Europe*, Vol. 10, No. 1, p. 31.

some measure of participation in management, of sharing in its destiny. The opposite view, prevailing elsewhere in the region, holds that resources allowed to accumulate in the enterprise fund should not be frittered away on insignificant individual payments, but can be better employed in a few tangible projects such as housing, while cash bonuses should be substantial, but restricted to the particularly deserving few. It has also been argued that the main beneficiaries of increased profits should be managerial and technical staff, rather than manual workers whose main incentive should be related directly to measurable productivity, as in Czechoslovakia. Moreover, it has been said that workers begin very soon to look at the payments as part of normal wages — since rising productivity normally allows for some increase in profits — and their incentive value is thus weakened.[65]

A more fundamental criticism of this type of scheme is that a chase after profits may in present circumstances be harmful to the economy and to the consumer, if enterprises tend to concentrate their production on the most profitable (i.e., usually most expensive) lines of production, and do their best to save on costs by cutting expenses on maintenance, repairs and safety measures.[66] Cases of dishonest calculation of costs and of over-pricing of newly introduced products have also been widely reported,[67] and, finally, it has been pointed out that inter-industry wage differentials established so as to encourage the desired allocation of labour are upset if payments from the enterprise fund are substantially higher in the less important branches of economy.

While these criticisms are in some respects contradictory, the basic question remains as yet unanswered — to what extent it is possible to graft an effective incentive system based on profit-sharing to a structure of economic organization in which prices, and production decisions, are deliberately insulated from the direct or quick impact of changes in demand/supply relationships. In Yugoslavia the change to an incentive system tying the worker's earnings very closely to the profits of his enterprise has been accompanied by a restoration of the influences of market forces on economic decisions, going much further than appears to be contemplated at present anywhere in eastern Europe.[67a]

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[65] Another weakness, from this standpoint, is that profits are assessed for the enterprise as a whole. It has been proposed in Poland that in large factories profits should be evaluated according to constituent shops (*Zycie Gospodarcze*, No. 8, 1958), and in the Soviet Union that managerial premia should distinguish functions — for example, if the output plan fails because materials were inadequate, the head of the purchasing department should have no premium (*Voprosy Ekonomiki*, No. 2, 1958, p. 138).

[66] See also Chapter IV, section 3, below.

[67] A survey of 440 enterprises in Poland in 1957 showed that " a large part of these enterprises managed to bring about conditions for excessive and unjustified transfers of profits to the enterprise fund " (*Finanse*, No. 8, 1957). It has been suggested, in the Soviet Union, that, to discourage enterprises from seeking a low profits plan so as to transfer to the fund more over-plan profits (the rate for which is 15 times that of planned profits), the two rates be brought closer together (*Promyshlenno - ekonomicheskaya Gazeta*, 14 December 1958).

[67a] See " Economic Planning and Management in Yugoslavia ", *Economic Bulletin for Europe*, Vol. 10, No. 3.

3. FARM POLICY AND AGRICULTURAL OUTPUT

The year 1958 was one of major institutional changes in agriculture, particularly in the Soviet Union and to a lesser extent in eastern Europe. In the Soviet Union two of the major controls were relinquished which for thirty years had moulded farm activity: the machine-tractor stations (MTS) and low-priced obligatory deliveries. All but one eastern European government intensified their efforts to foster collectivization and, where such policies had yielded the widest results (in Albania, Bulgaria and Czechoslovakia), reforms similar to those initiated by the Soviet Union were begun. While crop production could not be independent of the weather, stock-breeding, especially sensitive to proprietorial incentive, reflected the institutional changes — favourably in the Soviet Union but generally conversely in eastern Europe.

Soviet Policy towards Collective and State Farms

The series of structural reforms in the Soviet Union, which began with the Communist Party Central Committee's reappraisal of September 1953, first affected the collective farms: but a noticeable feature of agricultural policy during 1955 to 1957 was the marked relative extension of state farms. These undertook nearly half of the reclamation of virgin lands in the east and absorbed a number of inefficient collective farms; and by 1958 the sown area under state farms was 32 million hectares greater than in 1954, within a country-wide extension of 29 million hectares, thereby increasing their share of the area from 12 per cent to 27 per cent.[68] The consideration

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[68] Their share in gross farm output is less sizeable (in 1957, 14 per cent against a sown-area share of 26 per cent).

TABLE 9

Farm man-hours per unit of output and area in the Soviet Union and the United States

	Soviet Union 1956-1957		United States 1956
	Collective farms	State farms	
Man-hours per quintal			
Grain	7.3	1.8	1.0
Potatoes	5.1	4.2	1.0
Sugar-beet	3.1	2.1	0.5
Cotton (unginned)	42.8	29.8	18.8
Milk	14.7	9.9	4.7
Beef [a]	112	52	7.9
Pork [a]	103	43	6.3
Yield per hectare			
Grain	9.7	7.5	20
Potatoes	97 [b]	97 [b]	197
Sugar-beet	175 [b]	175 [b]	371
Cotton (unginned)	21 [b]	21 [b]	12
Man-hours per hectare			
Grain	70.8	13.5	20
Potatoes	495 [c]	407 [c]	197
Sugar-beet	543 [c]	368 [c]	186
Cotton (unginned)	900 [c]	626 [c]	226

Sources : See Appendix B.

NOTE. — The man-hours per quintal for the United States are as quoted by a Soviet source; for a comparison with United States official statistics, see Appendix B.

[a] Weight increment of total livestock.

[b] Average yield for the whole country; in 1956 yields of beet and cotton were virtually the same on collective and state farms.

[c] Assuming country-wide average yields (see *b* above).

of farm policy at the February and December 1958 sessions of the Party Central Committee dwelt particularly on the gap between state and collective farm costs revealed during this development : the former on the costs of state farm output in comparison with prices paid for procurements directly from collective farms or indirectly through MTS,[69] and the latter on the variance of labour inputs (with United States experience as a yardstick).

The comparison with the United States in the first section of Table 9 blurs together the twin Soviet problems of a high ratio of labour to land and low yields per hectare (or animal) ; and, as can be seen, the man-hours worked per hectare in the Soviet Union are enormously greater than those in the United States both for crops where Soviet yields are much lower,[70] and for cotton, where yields — entirely on irrigated land — are much higher. The one certain exception appears to be grain output in state farms. The comparison of Soviet collective farms with state farms may over-state the relative efficiency of the latter in terms of aggregate farm output per man, since these farms are more specialized ; but, undoubtedly their efficiency is higher than that of collective farms. On the other hand, aggregate farm output per hectare is probably higher in collective than in state farms — the more so if private plots are included in the comparison — because of the incidence of labour-intensive stock-breeding.

So long as manpower supplies remained ample[71] but the agricultural area was stable and the scope for expanding the capital stock per man was limited, the obvious aim for farm policy was to maximize output per hectare rather than per man. The maintenance of a large element of non-wage remuneration in the labour-intensive sectors might depress labour productivity — not in these circumstances of great importance — but had the advantage of concentrating the income effect of harvest variations.[72] However, with the depletion of labour reserves and the decision simultaneously to exploit the possibilities of extending the agricultural area and to raise farm capital, the economic case for paying more attention to labour productivity was greatly strengthened. This tended both to encourage extension of state farms in preference to collective farms and to focus attention on methods of raising labour productivity in the latter.

The long-term programme underlying the Seven-year Plan (1959-1965) is to bring collective farm capital stock towards parity with that of state farms, while lessening their organizational differences, to which much of the variation in their labour efficiency is attributed. As to the state farms, this programme implied some devolution of management — a first step had been taken in 1956 in granting farms more operational and financial autonomy, and now greater worker participation is planned. Moreover, a policy of consolidation has partially replaced that of expansion, 150 new farms being set up in 1958, against 894 in 1957. But the biggest changes affected the collective farms. In March 1958 the sale of MTS equipment to them was permitted,[73] so that there would be unified operational management as in state farms; and by the end of the year 83 per cent of farms had made some purchases. In June the merging of compulsory deliveries with state purchases was announced. The essence of this reform was not the elimination of compulsion (farms are still required to deliver fixed quantities of produce) since the freeing of the market would too greatly have raised farm incomes, but the abolition of the regressive impost inherent in the low prices paid for compulsory deliveries.[74] Further elements in the programme are the unification of labour remuneration both among collective farms and between them and state farms, replacing "labour-day" dividends in the former by fixed piece-rates, or even time wages, paid monthly on the basis of reserve funds or bank loans.[75] This will make easier the computation of relative costs in the two types of farm — long a vexing problem.[76]

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[69] See the SURVEY for 1957, Chapter I, p. 10.

[70] Soviet state farms make a better showing than United States farms for grain partly because they grow less (labour-intensive) maize. To some extent this also affects the difference between state and collective farms.

[71] Ample for agriculture taken as a whole; but partly as a result of peasants' preferences to work in collective rather than state farms there seems to have been some over-staffing of the former and possibly an under-manning of the latter.

[72] There is little difference in the degree of mechanization per hectare of state and collective farms, though tractor power available per man on state farms (2 HP) is four times greater. One element in the greater efficiency of state farms may be their greater assurance of stable prices for their produce, which may have encouraged willingness to venture into experiment and technological advance.

[73] Concentrating the remainder, mostly of equipment too specialized to be needed by any one farm, together with repair shops in repair-technical stations (RTS). For further details see the SURVEY for 1957, Chapter I, pp. 9-10, and *Economic Bulletin for Europe*, Vol. 10, No. 1, pp. 35-36, and No. 2, p. 16.

The Effects of the Soviet Reforms

The immediate consequence of the reforms effected in the first half of 1958 was a considerable rise in the corporate incomes of collective farms:

Billions of roubles

	Total money income	*Allocation to indivisible funds*
1953	49.6	8.7
1956	94.6	16.7
1957	95.2	16.8
1958	135	33[a]
1959 Plan	147-150	..

Sources: Planovoe Khozyaistvo, No. 4, 1958, *Finansy SSSR*, No. 8, 1958; *Pravda*, 23 December 1958.

[a] Forecast published in August.

Part of the increment in 1958 may be attributed to the larger volume of sales from the better harvest; but the new procurement price scheme is intended to secure stability of farm income rather than, as the past system, to reflect yield variations on an incentive principle — which, as already noted, may have been partly perverse in its effects. Thus the new farm prices vary inversely (but less than proportionately) with harvest prospects, but the former discrimination in favour of high-yielding farms has been eliminated. Another part of the increment derives from the price additions to compensate loss of subsidies paid to the MTS.[77]

While some of the increased income will be absorbed in raising the part of the individual incomes of farm members distributed in cash rather than kind (with sales of surplus production above the state delivery quotas increasing)[78] the level and pattern of corporate outlays has also altered. Collective farms now have to pay the full salaries of tractor and other equipment operators and of agronomists, and to purchase fuel, spare parts, etc., for their newly acquired tractors.[79] The extent to which even the cash incomes of members have been affected by these changes can therefore not be precisely determined. Cash distributions to members plus other current outlays rose by 30 per cent in 1958, as shown above, but larger proportionate increases in corporate outlays within this total have been reported from a number of areas.[80]

Capital outlays on MTS equipment were 9 billion roubles in 1958, in part payment of 21 billion roubles' worth of machinery, and sales of machinery, fuel and spares by repair and tractor stations (RTS) are to total 33.6 billion roubles in 1959. Investment in the extension of subsidiary production activities, many of them in collaboration with adjoining farms, has also risen.[81] Some of the richer farms have even created their own repair workshops in competition with the RTS.

Soviet Policy Towards Private Farming

Although the output of livestock products has in recent years grown less quickly on private plots than on collective and state farms (see Table 13 below), half of meat and milk output is still produced from privately-owned animals, much of it for consumption on the farm, and the problem of small-scale farming remains a major issue of agricultural policy.[82]

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[74] See *Economic Bulletin for Europe*, Vol. 10, No. 2, pp. 17-18.

[75] A development slow to take root, partly because farms are unwilling to contract bank debts which commit the disposal of their surpluses and partly because the State Bank believed that too much credit could weaken the incentive to complete procurement deliveries (cf. *Dengi i Kredit*, Nos. 3-5, *Sovetskoe Gosudarstvo i Pravo*, No. 4, 1958, and *Finansy SSSR*, No. 8, 1958.

[76] The joint recommendations of the Central Statistical Administration, the Ministry of Agriculture and the All-Union Institute of Agricultural Research provide essentially for the cost of labour in collective farms to be evaluated according to wage norms paid in state farms for equivalent work, and not according to actual remuneration (in money and in kind) of "labour days"; and for costs of farm-produced materials used in production (seed, feed, etc.) to be valued at their actual production cost and not at state procurement prices (*Voprosy Ekonomiki*, No. 11, 1958).

[77] In 1955, for example, MTS current outlay was 24 billion roubles, of which they recouped only 6 billion as payment by farms for work performed.

[78] Produce may be sold on farm markets; (since 1953) on commission in shops of the Central Co-operative Union (in 1958 these totalled 8.7 billion roubles, against 7.7 billion in 1957); and (from 1958) in collective farms' own urban shops.

[79] MTS tractor drivers, formerly inscribed as members of the respective collective farms, were transferred to state payrolls in 1955 but from 1956 the MTS paid only a guaranteed minimum with the farms paying directly in labour-days. Agronomists were transferred to collective farm payrolls in 1955 with their salaries made up by the state for a transitional period which ended in 1958. Since MTS services were formerly paid for in kind, the cost of fuel, spares, etc. did not figure even indirectly in the money accounts of collective farms.

[80] For example, in the first eight months of 1958 over the corresponding period of 1957: 35 per cent in Stavropol Krai, 40 per cent in Altai Krai, 89 per cent in Byelorussia.

[81] Processing of farm produce, production of building materials, furniture, textiles, etc., and — in joint-farm enterprises — power plants, boarding schools, hospitals, etc. (*Voprosy Ekonomiki*, No. 12, 1958).

The release of producers from obligatory deliveries from private plots since January 1958, although superficially an encouragement to private farming, lost some of its significance in July when the price margin between compulsory and other deliveries was narrowed; and subsequent official policy has been aimed increasingly at the progressive reduction of private plots. Mr. Khrushchev suggested in December that state farms should buy, in the next two to three years, the animals still owned privately by their workers (equivalent in January 1958 to 68 per cent of the cows and 15 per cent of the pigs and sheep owned by state farms) in order to increase productivity, by releasing labour during the peak harvest periods, and to make more efficient use of fodder supplies. The increased production of vegetables and potatoes in state farms is intended to lead to a progressive abandonment of private growing, both for consumption and sale; but until the development of common services (nurseries, public catering) in such farms is high enough to substitute entirely for such activities, state farms are advised to sell quantities of animal products, vegetables and potatoes not exceeding individual consumption needs to their workers at cost (but at prices not higher than state retail prices).

The same solutions of the problem of private farming are proposed for collective farms, and the director of an important collective farm[83] reported recently that meat, milk, potatoes and vegetables will be sold by the farm for its members' consumption, thereby making the private plots superfluous. In this farm, sites for new houses are limited to 0.15 hectares and will later be reduced to 0.07-0.08 hectares — sufficient for leisure, but not for significant production.

Farm Policy in Eastern Europe

In five eastern European countries over half the agricultural area is now farmed collectively or by state farms.[84] Bulgaria virtually completed collectivization during the year (only about 4 per cent of the area being left in private hands) by bringing in all the mountain areas; and Albania, with 75 per cent collectivization, not only did the same in its southern littoral, but brought rapid change in the hitherto less-affected northern highlands.[85] Similarly, in Czechoslovakia, where the area of private farms was reduced to less than one-quarter of the total — with collective farms occupying nearly 60 per cent — the more rapid extension was carried out in Slovakia, bringing its collectivized area from 42 per cent at the end of 1957 to 55 per cent a year later. In Rumania the privately farmed area is now less than half the total, and in eastern Germany it is very little more; but collective farming can be considered more consolidated in the latter country, since most collective farms — comprising 37 per cent of the agricultural land — are of a closely integrated type, whereas in Rumania this type of collective farm represents less than half of the 30 per cent of land now under collective farming. In both countries the looser forms of union increased faster than others in 1958.

In all these countries where private farming had ceased to predominate, developments in 1958 and early 1959 were eclectically patterned on those in the Soviet Union or in mainland China. In Bulgaria, a drive to amalgamate farms (the average became some seven thousand hectares) made them, in the Government's view, strong enough not only to begin to take over equipment from MTS, but also, like Chinese "communes", progressively to take over the administration of all rural economic activity.[86] Moreover, as in the Soviet Union, low-priced obligatory deliveries will be merged into a unified procurement category in 1959, and the remaining MTS services paid for in cash rather than in kind. In Albania the Chinese example was much quoted during the year's campaign for the formation of co-operatives, notably in handicrafts and trade, and rural district councils were given wider powers to plan the activity of the collective farms of their areas;[87] mergers of collectives began in 1959. The sale of MTS equipment to collective farms in Czechoslovakia is to start from 1 January 1959; and already the national committees (i.e., regional and local authorities) have assumed the main responsibility for directing the agricultural sector. Changes in the model statutes of collective farms were made during 1958 in Albania (bringing them closer to the Soviet type) and are to be made in 1959 in Bulgaria, Czechoslovakia and eastern Germany.

In Hungary, some 16 per cent of arable land now belongs to co-operative farms, following the addition

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[82] For a more detailed analysis of the question of farm size and official policies towards private plots in the Soviet Union, see the SURVEY for 1956, Chapter I, pp. 27-30.

[83] At Kalinovka (*Pravda*, 18 December 1958).

[84] For fuller details see *Economic Bulletin for Europe*, Vol. 10, No. 3, pp. 32-35.

[85] The end 1957 and 1958 percentages of area collectivized in this zone were in Kukës 14 and 31, in Tropoje 28 and 50, in Mat 18 and 48 and in Peshkopi 8 and 47, respectively.

[86] See footnote 17 above.

[87] Cf. R. Mamaqi, *Bashkimi*, 29 June 1958, and N. Kerrhalliu, *ibid.*, 30 September 1958.

TABLE 10

Crops and sales to the State of plant produce in the Soviet Union

Crop	Year	Area sown	Yields	Harvest	State procurements
		Millions of ha	Quintals per ha	Millions of tons	
Grain	1953	106.7	7.7	82.5	31.1
	1956	128.3	10.0	127.8	54.1
	1957	124.6	8.4	104.8	35.4
	1958	125.2	11.1	139.4	57.2
of which :					
Wheat . . .	1953	48.3	. .	. .	. .
	1956	62.0	. .	. .	. .
	1957	69.1	. .	. .	. .
	1958	66.6	11.3	75.3	42.6
Cotton (unginned) .	1953	1.88	20.7	3.9	3.9
	1956	2.07	21.7	4.5	4.3
	1957	2.09	21.1	4.4	4.2
	1958	2.15	20.5	4.4	4.3
Flax for fibre . .	1953	1.24	1.3	0.16	0.15
	1956	1.92	2.7	0.52	0.43
	1957	1.69	2.6	0.44	0.39
	1958	1.60	2.8	0.44	. .
Sugar beet . . .	1953	1.57	147	23.1	22.9
	1956	2.01	162	32.5	31.5
	1957	2.11	188	39.7	38.4
	1958	2.50	216	54.1	50.9[a]
Sunflower seed .	1953	3.90	6.7	2.6	1.8
	1956	4.51	8.6	3.9	2.4
	1957	3.46	8.1	2.8	1.8
	1958	3.94	11.4	4.5	2.6[a]
Potatoes	1953	8.3	87.6	72.7	5.4
	1956	9.2	104.3	96.0	9.2
	1957	9.8	89.0	87.2	7.9
	1958	9.5	90.6	86.1	6.7[a]
Other vegetables .	1953	1.3	90.8	11.8	2.5
	1956	1.6	89.4	14.3	3.8
	1957	1.5	100.0	15.0	4.2
	1958	1.5	95.3	14.3	4.0
Fruit (including grapes)	1953	2.56[b]	. .	. .	1.17
	1956	3.13	. .	. .	1.24
	1957	. .	. .	. .	1.58
	1958	. .	. .	. .	1.76

Sources and coverage : See Appendix B.

NOTE. — Figures for 1958 are provisional.

[a] At 10 December 1958.

[b] 1952 orchard area and 1953 vineyard area.

of nearly 300,000 hectares (4 per cent of agricultural land) and 50,000 families to the co-operative sector between 1 September 1958 and mid-February 1959. Still more stress is being laid on the consolidation of existing farms than on numerical expansion. Collectively owned livestock, for instance, rose by 40 per cent during 1958, whereas the comparable increases in the arable area and membership of these farms were 16 per cent and 13 per cent respectively. In 1959, investment in collective farms is expected to be 60 per cent higher than in 1958.

Polish farming saw a rapid development of a different form of co-operation, the "agricultural circles". At the end of 1958 there were sixteen thousand such "circles" with almost half a million members, mainly running machine and tractor pools and producing building materials (to the extent of over 10 per cent of the country's total production of bricks). In the still over-populated regions of central and southern Poland these "circles" organized small-scale industries. Six thousand "circles" for farmers' wives also exist, with 150,000 members; and both groups carry out educational programmes and receive credits for their activities from the Government.

Soviet Agricultural Output

The records attained by Soviet agriculture in 1958 included bumper crops of grain, sugar-beet, sunflower seed and fruit, while fibre crops held their own and only vegetables made a poor showing (see Table 10).[88] Livestock production, which in the first half of the year had been held back by the less satisfactory fodder supplies from the 1957 crop, rose in the second half of the year and promises substantial improvement in 1959.

Fodder supplies in the second half of 1958 benefited, as Table 11 shows, from the harvesting

TABLE 11

Sown areas of maize in the Soviet Union

Millions of hectares

	1953	1956	1957	1958
Maize for grain	3.5	9.3	5.8	8.1
of which :				
Dry grain	. .	. .	. .	4.4
Lacto-cerotic stage (ensilaged) .	. .	. .	. .	3.7
Maize for silage before formation of ears	—	6.0	6.5	5.9
Maize for green fodder (hogging down, grazing, forage)	—	8.6	6.0	5.7
Total maize . . .	3.5	23.9	18.3	19.7

Sources : Statistical yearbooks; and *Pravda*, 21 December 1958.

NOTE. — In 1956, extra sowings of spring crops were made, because of exceptional winter losses.

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[88] For fuller details see *Economic Bulletin for Europe*, Vol. 10, No. 3, pp. 31-32. Grain statistics on a barn-yield basis were published for the first time since the war, confirming the estimates given in the last two SURVEYS.

of 2.3 million hectares more of maize as grain, with significantly better yields.[89] Although a smaller acreage was thus left for ensilaging or grazing, the nutrient content per hectare was higher. This combined with the better yields of other green fodder and more silage capacity to raise the tonnage of silage laid from 90 million tons (of which only 52 million tons was maize) in 1957 to 148 million tons (108 tons of which was maize) in 1958, while hay mowings were also larger. Thirdly, the beet crop so far outran sugar-refinery capacity[90] that considerable quantities were used for feed.

The figures in Table 12 show that for cattle and pigs, though not for sheep, the rate of growth of numbers on collective and state farms exceeded that on private holdings. This explains the increased share of all livestock production, wool excepted, originating in the socialist sector (see Table 13) and — together with the abolition of compulsory deliveries from private plots from the beginning of 1958 — the increased share of that sector in state procurements. Milk yields — and probably also slaughter weights — since the fodder improvement came late in the year, were little higher; but the average wool clip was significantly larger. In total, 6 per cent increments over 1957 in milk and meat outputs, and an 11 per cent increase in the wool clip, were recorded.

Farm Output in Eastern Europe

The satisfactory features of last year's harvest in eastern Europe were excellent grain crops in eastern Germany and Poland, very good sugar-beet crops — but with a lower sugar content — in those same countries and in Czechoslovakia, good to excellent yields from orchards (Hungary excepted) and vineyards everywhere, and a fine tobacco crop in Albania. Total plant production rose in eastern Germany, Poland and Czechoslovakia, but declined in Hungary, Rumania, Bulgaria and Albania.[91]

TABLE 12

Numbers of productive livestock in eastern Europe and the Soviet Union

Million head at beginning of month

		Cattle	of which: cows	Pigs	Sheep
Albania					
January	1958	0.41	. .	0.10	1.61
	1959	0.42	. .	0.11	1.64
Bulgaria					
January	1957	1.53	0.56	1.47	7.60
	1958	1.44	0.55	1.99	7.74
Czechoslovakia					
January	1957	4.13	2.07	5.37	0.96
	1958	4.09	2.07	5.44	0.89
	1959	4.18	2.08	5.28	0.82
Eastern Germany					
December . . .	1956	3.72	2.12	8.33	1.89
	1957	3.74	2.11	8.25	2.02
	1958	4.15	2.13	. .	. .
Hungary					
October	1956	2.10	0.98 [a]	7.53	0.87 [b]
	1957	1.92	0.89 [a]	6.86	0.84 [b]
	1958	2.01	0.91 [a]	7.54	0.87 [b]
Poland					
June	1956	8.34	5.60	11.56	4.22
	1957	8.26	5.77	12.33	4.04
	1958	8.21	5.94	12.00	3.89
Rumania					
January	1956	4.80	1.95 [c]	4.95	11.12
February	1958	4.47	1.94 [c]	3.25	10.37
Soviet Union					
January	1953	55.8	25.2	33.3	99.8
	1957	61.4	29.0	40.8	108.2
	1958	66.8	31.4	44.3	120.2
	1959	70.8	33.3	48.5	129.6
of which :					
In state and collective farms					
January	1953	33.5	9.5	19.2	81.0
	1957	31.7	12.2	21.5	83.9
	1958	36.3	13.2	27.4	93.3
	1959	40.3	14.3	31.2	99.8

Sources : Statistical bulletins and yearbooks; plan fulfilment reports; *Zeri i Popullit*, 5 November 1958, and *Vestnik Statistiki*, No. 4, 1958.

[a] Without cows in first calf.

[b] March.

[c] Including buffalo cows.

Livestock yields improved, the more so where animal numbers were held down, thanks to the carry-over from the previous year's bumper cereal crops — except in Czechoslovakia and eastern Germany — of which coarse grain did especially well; and total production of animal products appears to have risen in most countries except Czechoslovakia. As Table 12 shows, the trend of cattle numbers has been downward or constant over the past three years except in eastern Germany, and there are signs that the practice, if not the policy, of the concentration of fodder permitted by a halt to an uneconomic expansion of herds may now be replaced in some

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[89] But still only 22 quintals per hectare. United States yields (somewhat over 30 quintals) are constantly cited for the emulation of Soviet farmers, many of whom still have relatively little experience of the crop.

[90] As the margin between the crop and procurements in Table 10 shows. As a result of an intensive programme to extend refineries, input in the second half of 1958 was 32.2 million tons of beet, or 5.7 million tons more than in the same period of 1957. Moreover, refineries which normally cease operation about January are to work through until April.

[91] The Hungarian vine harvest (40 per cent above that of 1957) was the best in 20 years. Crop returns were discussed in fuller detail in *Economic Bulletin for Europe*, Vol. 10, No. 3, pp. 29-31.

TABLE 13

Output and sales of livestock products in the Soviet Union

Product	Year	Output			Marketed output			*of which :* State procurements		
		Total	State and collective farms	Private holdings	Total	State and collective farms	Private holdings	Total	State and collective farms	Private holdings
Meat [a] (Millions of tons)	1953	9.4 (5.8)	. .	. .	5.4	. .	. .	3.7	2.9	0.8
	1956	10.7 (6.6)	4.9	5.8	6.3	4.5	1.8	4.4	3.5	0.9
	1957	11.6 (7.4)	5.7*	5.9*	6.9	5.2	1.7	5.1	4.3	0.8
	1958	12.4* (7.9)	6.2*	6.2*	. .	. .	. .	5.6	4.7	0.9
Milk [b] (Millions of tons)	1953	36.5	12.0	24.5	13.7	. .	. .	10.6	7.4	3.2
	1956	49.1	21.1	28.0	20.5	15.8	4.7	17.3	14.5	2.8
	1957	54.7	25.3	29.4	23.5	19.0	4.5	20.5	17.4	3.1
	1958	57.8	27.6	30.2	. .	. .	. .	22.1	19.7	2.4
of which :										
Butter (Thousands of tons)	1953	497	. .	. .	. .	. .	. .	382 [c]	. .	. .
	1956	675	. .	. .	. .	. .	. .	557 [c]	. .	. .
	1957	752	. .	. .	. .	. .	. .	634 [c]	. .	. .
	1958	770	. .	. .	. .	. .	. .	674 [c]	. .	. .
Wool [d] (Thousands of tons)	1953	235	. .	. .	198	. .	. .	197 [e]	180 [e]	17 [e]
	1956	261	204	57	223	198	25	246 [e]	219 [e]	27 [e]
	1957	289	224	65	247	217	30	280 [e]	248 [e]	32 [e]
	1958	321	246	75	. .	. .	. .	312 [e]	280 [e]	32 [e]
Eggs (Billions)	1953	16.1	. .	. .	. .	. .	. .	2.6	1.4	1.2
	1956	19.5	. .	. .	. .	. .	. .	3.3	1.7	1.6
	1957	22.3	. .	. .	. .	. .	. .	4.3	2.2	2.1
	1958	23.5	. .	. .	. .	. .	. .	4.5	2.6	1.9

Sources : See Appendix B.

[a] Data are in live weight equivalent, except the output figures in parentheses which are in carcass weight (including lard and offal).

[b] Including milk fed to calves and all other dairy produce in milk equivalent; figures for cow's milk were not available separately.

[c] Processed in factories.

[d] Greasy basis: includes goat and camel hair.

[e] These data are not precisely comparable with gross and marketed output, as they are recomputed to standard-quality equivalents (see Appendix B).

countries by a renewed growth of animal numbers.[92] Stability in cow numbers has usually been the result of slaughtering calves instead of breeding heifers to replace the older cows,[93] with the consequence that herds have been ageing. The prices of milk and veal have been too high in relation to that of beef for farmers to be encouraged to raise and fatten older beasts; and in Poland beef prices both for compulsory deliveries and for free purchases were raised in January 1959. An earlier price change in eastern Germany (October 1958), gave greater prominence to a short-term objective by granting special premia for fat calves (up to 110 kg. live-weight) to discourage early slaughter.

So far as the available statistics show (see Table 14), milk output rose in 1958 and milk procurements everywhere increased. Where, as in Bulgaria and Albania, milk yields are particularly low, by reason not only of inadequate fodder but also of poor local breeds of cows, there were intensive breed improvement campaigns using artificial insemination.[94] This can, of course, raise yields even in highly developed farming (as shown by the accompaniment of the post-war spread of artificial insemination in the United Kingdom by a 25 per cent increase in milk yields) but it is in the poorer agrarian economies that the 1958 campaigns have been most prominent.

Pork production developed much more rapidly than output of beef and dairy produce in Poland; and scarcity of curing and meat storage capacity resulted in some live pigs being exported. In Hungary

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[92] For the argument that eastern European livestock output would benefit from a reversal of official policies until 1956 on stock numbers, see *Economic Bulletin for Europe*, Vol. 8, No. 3, pp. 26-29.

[93] A practice made the more pronounced by the transition to collective farming: private farms on the verge of collectivization prefer to take the ready cash from calf slaughter rather than to risk feeding heifers for transfer to the collective at prices which may not adequately cover feed costs. Collective farms also frequently have too few byres and pigsties. In Czechoslovakia the private sector fulfilled the 1958 delivery plan for animal products better than did collective farms.

[94] Milk yields per cow were 922 kg. in Bulgaria in 1957 and 660 and 655 kg. in Albania in 1957 and 1958, respectively.

TABLE 14

Output and procurement of livestock products in eastern Europe

	Unit	Output			State procurements		
		1956	1957	1958	1956	1957	1958
Albania							
Meat	Thousand tons	..	34	39	..	..	..
Milk		..	138	162	13	18	34
Wool		..	2.1	2.1	..	..	..
Bulgaria							
Meat		399	400	500	204	211	..
of which : Pork		..	..	..	71	85	..
Milk	Million litres	774	887	976	283	329	..
of which : Cow's milk		443	508	584	..	..	..
Eggs	Billion	0.81	0.87	0.90	0.47	0.45	..
Wool	Thousand tons	15.0	14.9	16.5	..	..	..
Czechoslovakia							
Meat [a]		858	900	890	..	705	670 *
of which : Beef		293	312	314	293	312	314
Pork		523	543	541	..	349	320 *
Cow's milk	Million litres	3 600	3 629	3 652	..	..	..
Eggs	Billion	1.9	2.1	2.1	..	..	..
Eastern Germany							
Meat	Thousand tons	1 103	1 175	..	866	926	1 020
of which : Pork		834	877	..	641	673	732
Cow's milk	Million litres	4 986	5 287	..	3 302	3 586	4 604
Eggs	Billion	2.4	2.7	..	1.2	1.5	2.4
Wool	Thousand tons	..	..	..	6.7	7.6	8.5
Hungary							
Meat		967	..	..	426	434	..
of which : Beef and veal		195	228 *	..	172	202	211
Pork		590	689 *	..	222	208	243
Cow's milk	Million litres	1 472	1 645	1 910 *	529	511	675
Eggs	Billion	1.54	1.36	..	0.43	0.37	0.42
Poland							
Meat	Thousand tons	1 905	2 053	2 220	1 094	1 237	1 520
of which : Beef and veal		506	494	540	355	355	289
Pork		1 333	1 497	1 604	725	864	1 134
Cow's milk	Million litres	9 979	10721	11300	2 514	3 046	3 465
Eggs	Billion	4.25	4.33	..	1.65	1.66	1.83
Wool	Thousand tons	9.8	9.3	9.3	7.5	7.2	7.4

Sources : Statistical bulletins and yearbooks; plan fulfilment reports; *Zeri i Popullit*, 5 November and 30 December 1958; *Népgazdasági mérlegek, reáljövedelmek*, 1956, p. 133; *Közgazdasági Szemle*, No. 6, 1958, p. 602; and *Népszabadság*, 9 January 1959.

NOTE. — Meat is given in live weight, and wool on a greasy basis; output figures of milk include that fed to calves, and poultry is included with meat except in the case of Czechoslovakia, eastern Germany and Poland.

[a] Excluding mutton and horse-meat.

(where price adjustments favoured breeding for pork rather than for ham and lard) and Bulgaria, pork output also grew substantially during 1958, as it did — from tiny quantities — in Albania ; but in Czechoslovakia and in eastern Germany the 1957 fodder decline caused heavy pig slaughtering in the first half of the year, so that total meat procurements fell off in the second half, necessitating in the former country the highest imports of meat for the past ten years. Total meat imports into Czechoslovakia rose from 54,000 tons in 1957 to 92,000 tons in 1958.

To counteract the further disincentive to pig-breeding of the poor 1958 crop of potatoes, the eastern German Government launched a campaign under the title " Every sow to the boar " (and promised to cut compulsory meat deliveries by 25 kg. when sows mated during the three months of the campaign gave birth) ; and both there and in Czechoslovakia bonuses were authorized for piglets suitable for breeding during specified periods of this year. In both countries import dependency for concentrated fodder has been growing and can be expected further to increase.

4. INDUSTRIAL PRODUCTION AND SUPPLIES

(a) The general structural improvement

Both statistical data and qualitative reports on developments in the eastern European and Soviet economies during 1958 suggest that the continuing rapid rise in industrial output has everywhere been accompanied by — and to a large extent due to — an alleviation of the imbalances, or "disproportions", which have been the persistent accompaniment of industrial growth in the past.

Some such short-term imbalances can be regarded as inevitable from time to time in any economy in which an originally rather undeveloped industrial structure is being rapidly expanded, as has been the case in several eastern European countries during the post-war period. When each new project means a major addition to capacity in its particular field, it is difficult to plan the development process so precisely as to avoid proceeding, to some extent, from one bottleneck to the next; and this tendency was reinforced in eastern Europe by the preference of the authorities for very large investment projects, rather than for smaller units or for the extension or modernization of existing capacities, and by the extreme over-all pressure on resources which both kept stocks small at all stages of production and encouraged hoarding of stocks by enterprises whenever possible. Moreover, sudden changes in economic policy or in technology may well set up short-term strains. The shortages of building materials now again being reported in many countries, following the rapid expansion of housing programmes, are of this nature; and it may well be that the increases in output of plastics and synthetic fibres now planned in several countries will produce temporary bottlenecks within the chemical industries despite the large increases also planned in investment in this sector.

But far more serious than the difficulties springing from such sources were those arising from the generally rapid expansion, up to the mid-1950s, of processing capacities — and particularly of the engineering industries — and the lagging behind of supplies of raw materials and fuels and neglect of agriculture. The most persistent scarcities in the industrial field for the region as a whole have been those of fuels (aggravated by the bottleneck in electric generating capacity), rolled steel, certain non-ferrous metals and some — largely imported — materials for light industries, such as wool and leather.[95] Their impact on the economies of individual countries has, of course, varied with each country's natural resources, investment policy and trading position; but no country has been completely immune to their adverse effects. Moreover, the tendency in the past for each country to pursue virtually the same type of development policy and to change direction practically simultaneously — for example by speeding up the relative growth of consumption or by somewhat reorienting investment away from heavy industry and towards agriculture and housing since the mid-1950s — has reinforced the effects of national "disproportions", as has the pursuit of policies of regional, and even national, autarky in the foreign trade field.[96]

About 1955, however, the drive for new investment, and particularly for the expansion of heavy industrial capacity, was relaxed nearly everywhere in eastern Europe; and the subsequent concentration of investment efforts on completing projects already under way, on relieving the major scarcities of fuel, power and basic materials and on otherwise widening bottlenecks, has borne fruit in the last eighteen months or so. Moreover, the special rescue operation undertaken by the Soviet Union in 1957 to meet the most urgent needs of eastern European countries for raw materials and other supplies, and its readiness to provide a market for a somewhat wider range of their exports than before, seem to have continued to some extent into 1958, though data on trade within the region are so far scanty.

Fuel Supplies

Both indigenous and imported supplies of fuels in eastern Europe have improved sufficiently to make complaints of scarcity, at least temporarily a thing of the past. Electric generating capacity has continued to grow fairly steadily everywhere, and coal output rose by 10 per cent in Czechoslovakia and by 14 per cent (implying a 9 per cent rise over the 1955 level) in Hungary. The 2 per cent rise in Polish coal output did not permit more than a very partial restoration of the cut in exports to other countries of the region that had occurred in 1957:

Production and exports of Polish coal

Millions of tons

	1956	*1957*	*1958* [a]
Production			
Hard coal	95.1	94.1	95.0
Brown coal	6.2	6.0	7.5
Exports of hard coal			
To eastern Europe	6.2	3.7	4.0
To Soviet Union	6.1	3.2	3.6
To other countries	6.9	6.5	8.6

Sources: Statistical yearbooks and direct communication from the Polish Government.

[a] Provisional.

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[95] See the SURVEY for 1957, Chapter I, pp. 16-17.

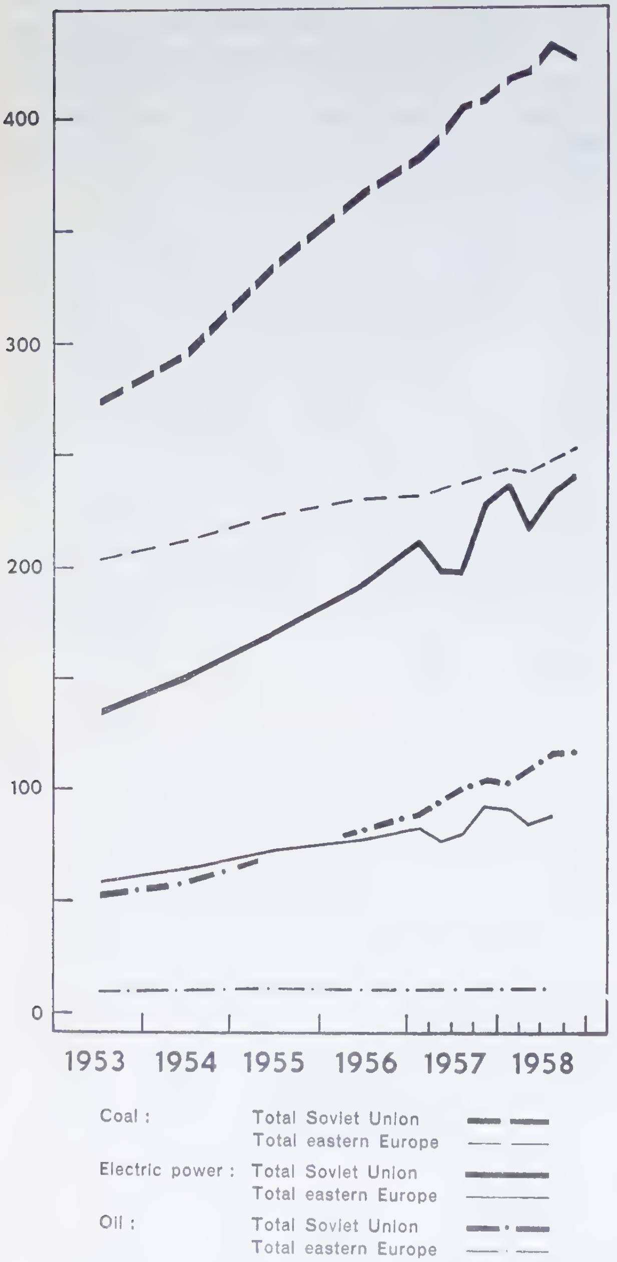
[96] See the SURVEY for 1957, Chapters I and VI, and earlier SURVEYS. In the Soviet Union, however, imports of fuels and of energy- and metal-intensive manufactured and semi-manufactured goods helped to relieve such scarcities up to about the middle 'fifties.

CHART 1

Production of coal, electric power and oil, in eastern Europe and the Soviet Union

Millions of tons in hard coal equivalent, millions of MWh and millions of tons at annual rates

Arithmetic scale



NOTE.—This and the following charts have only an indicative character, since commodity definition and conversion rates are not quite comparable from one country to another, and in some cases very small producers have been excluded. For a more detailed description of adjustment and coverage, as well as sources, see Appendix B.

Nevertheless, it seems that a much higher proportion than before of the Polish sales to the Soviet Union shown above were for delivery to other countries of the region, particularly eastern Germany, in 1958. Eastern Europe has indeed benefited from the very rapid growth of Soviet coal production (see Chart 1) which has transformed that country from a net importer into a net exporter of coal.[97]

Even more striking is the enormous expansion of oil output in the Soviet Union (also illustrated in the chart). By 1958 this was twice as high as in 1954, in contrast with the 20 per cent increase over the same period in eastern European production. Natural gas production in the Soviet Union was four times that of 1954 and 48 per cent greater than in 1957; and supplies of hydro-electric power have been extended by the commissioning of the whole of the Kuibyshev and the first part of the Stalingrad plants. The Soviet export surplus of crude oil and oil products probably rose even faster than that of coal in 1958; and increasing supplies to eastern Europe are contributing both directly and indirectly to the efficiency of fuel utilization in the region (for example, by permitting the substitution of diesel for steam locomotives and, in Czechoslovakia and eastern Germany, the reduction of output of synthetic petrol).

Steel

In ferrous metallurgy, increases of about 7 per cent in total output were registered in 1958 both in the Soviet Union and in eastern Europe. The commissioning of seven blast-furnaces in the Soviet Union in the course of the year (of which three were larger than any in Europe), increased capacities by well over 10 per cent. Higher Soviet exports to other countries of the region (and reduced imports) of steel-making materials have alleviated shortages in eastern Europe;[98] and the supply position for rolled steel in the Soviet Union seems already to have improved sufficiently to allow both for a substantial increase of exports and for a shift of imports towards less metal-intensive products in 1957 and 1958.

Significant new steel-making capacities came into production in eastern Europe in 1958, some of them contributing to the relief of particularly hampering scarcities. Despite the considerable growth of output — illustrated in Chart 2 — rolled steel has remained generally in short supply throughout the post-war years; but in the Soviet Union, as well as in eastern Europe, the most serious shortages have been in

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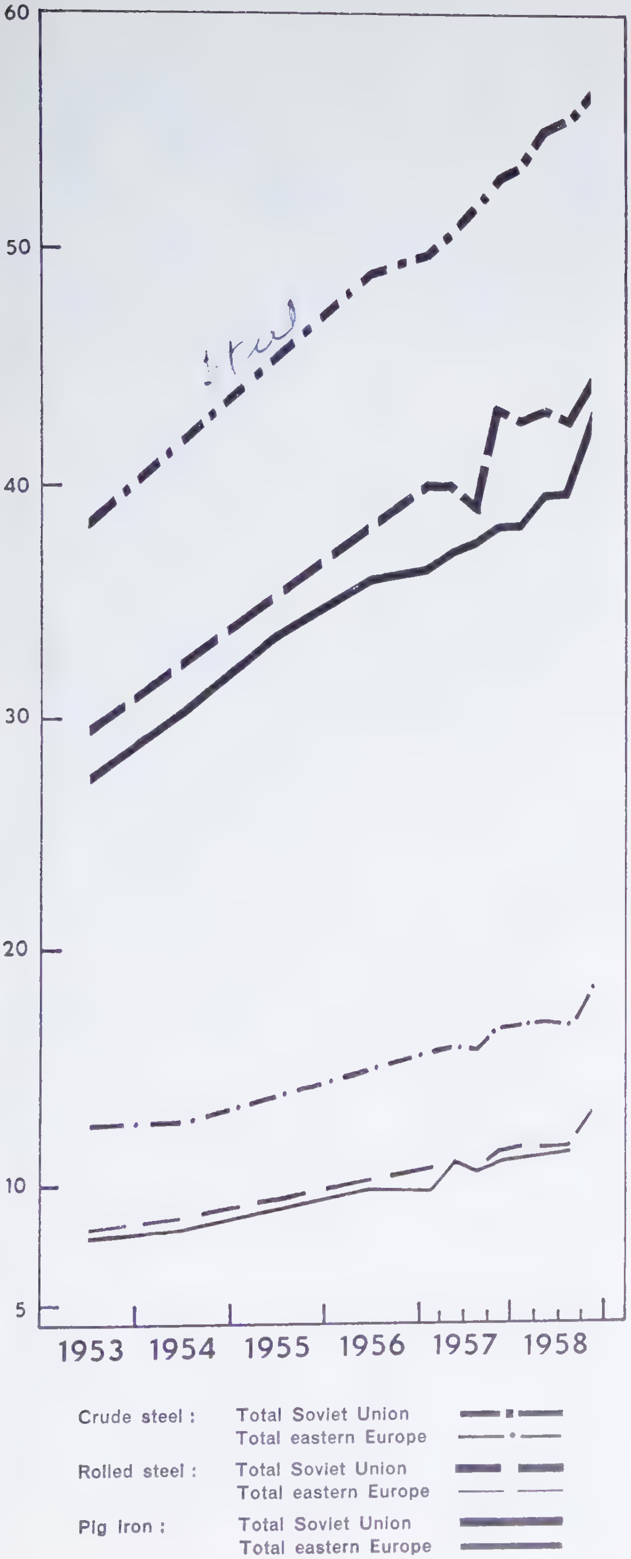
[97] In considering the ratios of eastern European to Soviet production of the various fuels and materials for which the trends are illustrated in Charts 1 to 4, it should be remembered that the Soviet population is roughly twice that of the combined populations of the eastern European countries.

[98] This was not fully reflected even in output during the last quarter of 1958, since the last furnace came into use in December. The increment (4.7 million tons annually) is the largest ever made in one year to Soviet smelting capacity, and is practically equal to the total increase in output by eastern European countries between 1950 and 1956.

Chart 2

Production of crude steel, rolled steel and pig iron in eastern Europe and the Soviet Union

Millions of tons at annual rates
Arithmetic scale



thin sheets, strip, light sections and some special steels.

It is a matter of speculation to what extent the excessive weight of machinery produced everywhere in the region is the consequence of these specific shortages and how far the conservatism of designers provides the main explanation. In any case, the substantial improvements already made in the last two years in many branches of engineering, in the way of introducing new lightly built models, would hardly have been possible without the improving supplies of specific types of rolled products.[99] Under these conditions, the recent completion of new capacity producing the " bottleneck " products in a number of countries has relieved shortages to a greater extent than would be indicated by a mere comparison of current and past rates of growth of the total tonnage of production.[100] The rising trade in steel among the countries of the region, with many of them showing considerable simultaneous increases in imports and in exports, is one indication of the extent to which special scarcities are being relieved. For example, Czechoslovak exports of rolled steel rose by 93,000 tons in 1958, and imports also increased ; Polish imports rose by 153,000 tons and exports also increased.

Other Materials

In other sectors also, recent developments have tended to relieve regional scarcities. Soviet production and exports of non-ferrous metals have increased substantially, practically eliminating shortages in eastern Europe ; and the 15 per cent rise in Soviet cement production in 1958, following an upward leap in the second half of 1957 also (see Chart 3), has probably permitted a reduction of exports by some eastern European countries (especially eastern Germany [101]) with a consequent addition to their domestic cement supplies or saving in fuel consumption.

By contrast, although the Soviet chemical industry showed a rate of growth in 1958 substantially exceeding the average, and greater than in recent years, the rate of increase of output of sulphuric acid has mar-

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[99] In Rumania the specific rolled steel consumption of 70 products, accounting for about 60 per cent of the total metal consumption in engineering, decreased by 5.6 per cent between 1955 and 1958; and for one type of lorry the weight decreased from 5.3 tons to 4.4 tons in 1957 (*Probleme Economice*, No. 11, 1958).

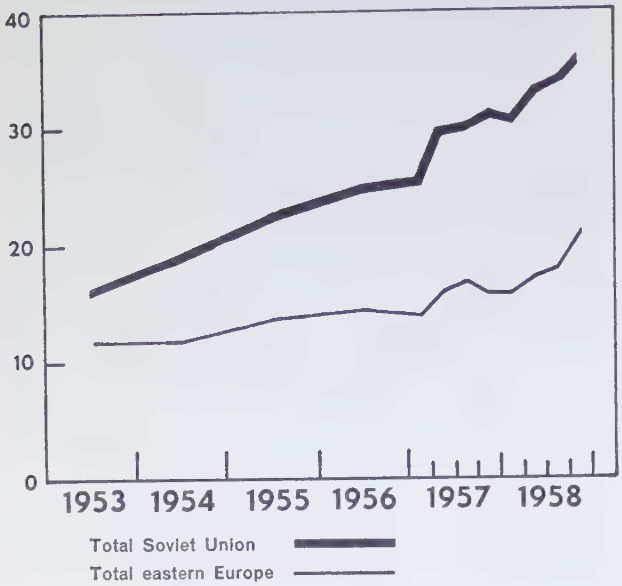
[100] Among the most important additions to capacity in 1958 were a new thin and medium sheet mill in Nowa Huta (Poland); A new thin strip mill in Kunčice (Czechoslovakia) and two thin sheet mills in Galati (Rumania) with a capacity of 70,000 tons. In Hungary a very important plant for medium sheets had already been commissioned at the end of 1955, but it was only in 1958 that it worked to full capacity.

[101] Eastern German exports of cement fell from 570,000 tons in 1956 to 190,000 in 1957.

CHART 3

Production of cement in eastern Europe and the Soviet Union

Millions of tons at annual rates
Arithmetic scale



kedly slackened in 1957 and 1958 (see Chart 4). It seems that eastern Europe, where production continues to rise fairly steadily, cannot count on the Soviet Union as a supplier. The same seems to be true for soda products and finished chemical fertilizers, although Soviet exports of apatite concentrates are the raw material for most of the phosphate fertilizer production of the region. However, the long-delayed commissioning of a huge nitrogenous fertilizer plant in Hungary, together with large additions to Polish capacities for soda and sulphur production have improved over-all supply prospects.

Examples, contrasting with past experience, of processing capacity lagging behind raw material supplies are now provided by sugar refining in the Soviet Union, and meat packing and dairying in some areas, and by both the latter in Poland. However, the investment needed to provide the processing facilities to deal with the increased output of livestock produce, sugar-beet and fruits noted in section 3 above — supposing the recent expansion to be maintained — would not constitute a very heavy demand on investment resources, and is already being anticipated in Poland.

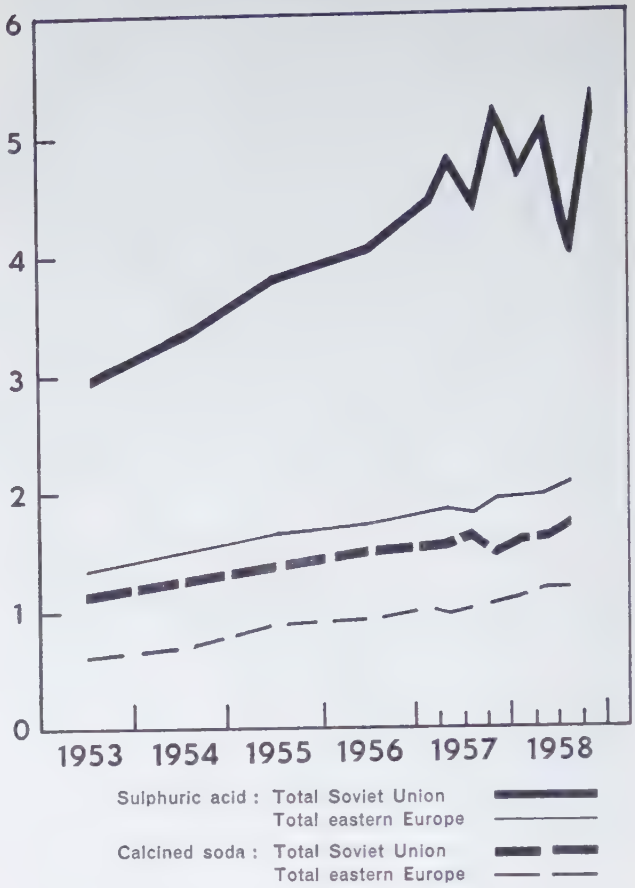
Export Markets

Finally, the more industrialized countries of eastern Europe seem to have been successful in finding wider export markets in 1958,[102] particularly for machinery

CHART 4

Production of sulphuric acid and calcined soda in eastern Europe and the Soviet Union

Millions of tons at annual rates
Arithmetic scale



and equipment, manufactured consumers' goods and foodstuffs :

Exports in 1958

	Machinery and equipment	*Manufactured consumers' goods*	*Fuels and raw materials*	*Food-stuffs*
Czechoslovakia [a]				
Millions of dollars	468	197	375	68
Percentage increase over 1957. . . .	11	17	9	37
Hungary				
Millions of dollars	246	—— 284	——	153
Percentage increase over 1957. . . .	30	—— 65	——	20
Poland				
Millions of dollars	285	53	537	183
Percentage increase over 1957	27	−14	−10	48

Sources : Czechoslovak Economic News Service, No. 12, 1958; *Magyar Statisztikai Zsebkönyv*, 1958; *Népszabadság*, 18 January 1958; Polish Plan Fulfilment Report.

[a] Nine months only.

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[102] This strengthening of import capacities was not, however, reflected in any rise in import volume in Czechoslovakia (as has been noted in section 1 above), while Polish import capacity was adversely affected by worse terms of trade.

The rapid growth of exports of machinery and equipment and of consumers' goods from eastern Germany is described below. Some of the largest increases in export volumes registered in Czechoslovakia and Hungary also were in the consumer-goods category (e.g., increases of over 40 per cent for cotton and woollen cloth in Hungary, and of 58, 36 and 34 per cent respectively for motor-cars, motorcycles and leather shoes in Czechoslovakia).

The whole of the increment of Polish exports (on the basis of nine months' values) went to western Europe and overseas countries, whose combined share of the total rose from 42 per cent in 1957 to 48 per cent. For Czechoslovakia, the Soviet Union's share in exports rose from 29 per cent to 32 per cent at the expense of western Europe and overseas countries; and in Hungary a rise in the Soviet Union's share of the trade from 21 per cent to 23 per cent was matched by a fall from 36 per cent to 33 per cent in the share of other eastern European countries.

Short-term Fluctuations in Output

The frequent interruptions to supplies of raw materials, fuels and electric power, and the generally low levels of stocks, which were a feature of the eastern European industrial scene until very recently, have combined with the special institutional characteristics of those economies to produce extraordinary short-term fluctuations in the flow of industrial production. These have been superimposed on normal seasonal variations due to such factors as summer holidays, the departure of peasant-workers from industry at harvest time or production and transport difficulties due to severe winter weather, which have been — not surprisingly — at least as great as in western European economies. The additional fluctuations peculiar to the eastern European region take the form of a heavy concentration of output at the end of each plan period (see Chart 5). Thus output in the last quarter of the year is significantly higher than in each of the preceding three quarters, whereas the first quarter invariably shows a fall in output below the last quarter of the previous year. Similarly, within each quarter, the first months show output significantly below that of the last month of the previous quarter; and, if plans are also made for individual months, the same seasonality is reproduced within each month, with highest output in the last ten days.[103]

This pattern of fluctuations can be traced even in the basic industries, which should for technical reasons show continuous production, though the fluctuations in these branches are small by comparison with those in the processing branches. Their major cause has been the pressure to fulfil production plans — which has been a pre-condition for receipt of various premia — combined with the general pressure on resources and the specific shortages already mentioned; but a number of special factors have affected different branches of production. Since production of intermediary products for stocks to be held within the enterprise is not always recorded in gross output, an enterprise in difficulty at the end of the plan period may be tempted to reach its targets by processing into final form as much as possible of such stocks, thus reducing the supplies available to the finishing sectors in the early part of the next plan period; and it will be similarly tempted to buy in materials at as late a stage of fabrication as possible, since this is the easiest way of raising gross output. Such possibilities are naturally greatest in the processing industries.

The practice of approving trade agreements and export and investment plans for the calendar year only in the early months of that year has also tended to encourage such fluctuations, by leaving industries working mainly for export or investment in doubt about their orders often until late in the first quarter. In eastern Germany fluctuations attributable to this cause have had a particularly severe impact on the very export-oriented heavy engineering and shipbuilding sectors (as can be seen from Tables 15 and 16). No similar data are available for Czechoslovakia; but it is interesting to note both that rather smaller fluctuations in over-all industrial output have occurred than in eastern Germany and that a study published in the latter country[104] suggests that within the engineering sector the quarterly fluctuations in Czechoslovak output have been less than those in eastern Germany, and attributes this difference largely to eastern Germany's greater dependence on imported supplies — already subject to a similar wave-like progress.

Other influences peculiar to particular countries have, of course, also affected the data illustrated in Chart 5. In Bulgaria, for instance, the seasonal pattern of total output is naturally greatly influenced by the timing of supplies to the food-processing branches, normally concentrated in the fourth and first quarters. In Hungary the events of the end of

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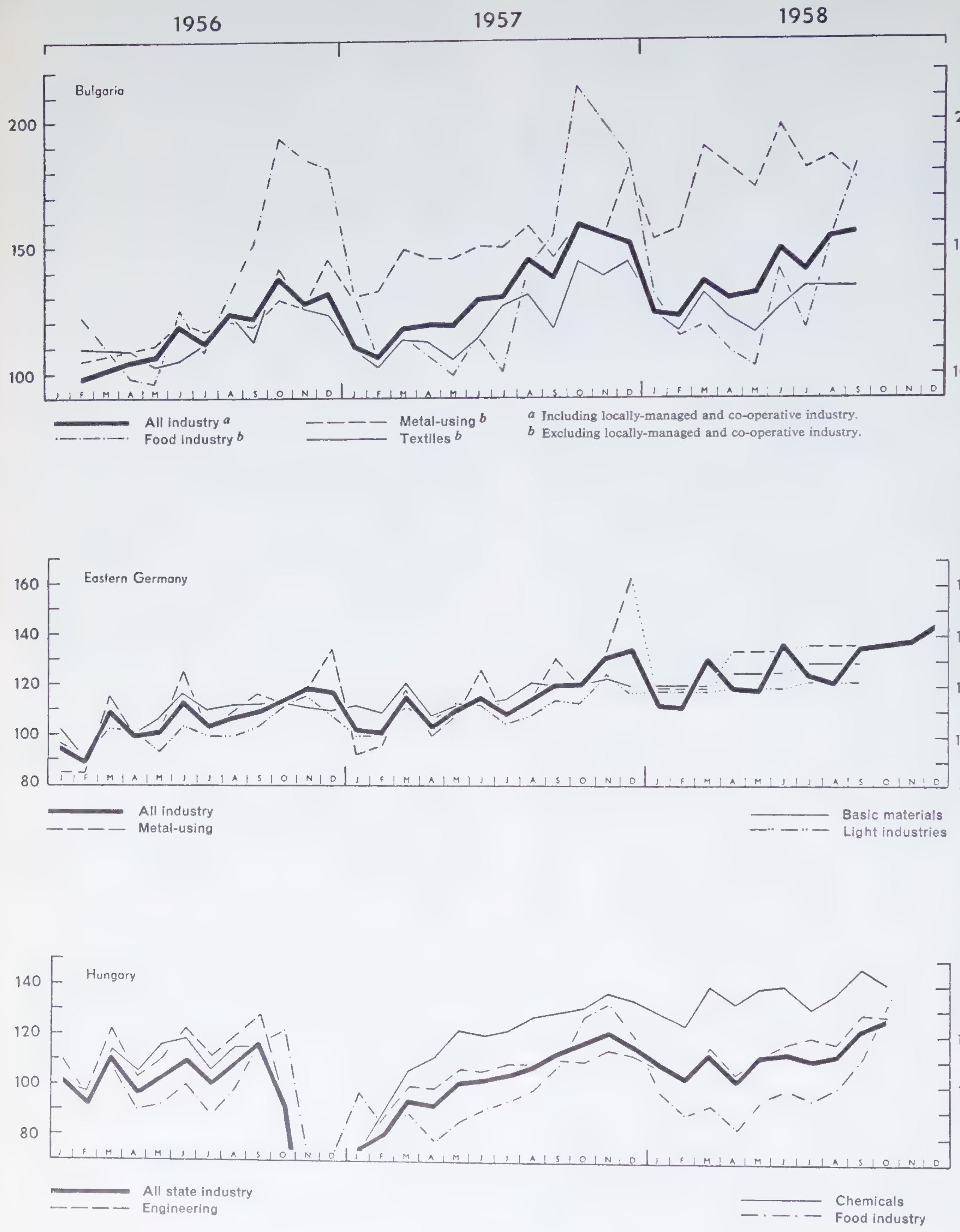
[103] In his report to the Central Committee of the Trade Union of Metals and Electricity in Rumania, the Secretary complained that in 1957, in many engineering plants, 55-65 per cent of the monthly output was done in the last ten days, requiring work on Sundays and legal holidays (*Munca*, 28 September 1957). The differential impact on "gross" output (including work in progress) and on "commodity" output was shown in figures referring to Czechoslovak engineering production in May and June 1955: in these months, 44 per cent of the former and as much as 58 per cent of the latter have been concentrated in the last third of the month (R. Platzer, *Československé strojírenství*, 1957, p. 43).

[104] See *Vierteljahreshefte zur Statistik*, No. 1, 1957, pp. 11-18.

CHART

Index numbers of gross industrial production

Arithmetic scale, 1955



[a] Including locally-managed and co-operative industry.

[b] Excluding locally-managed and co-operative industry.

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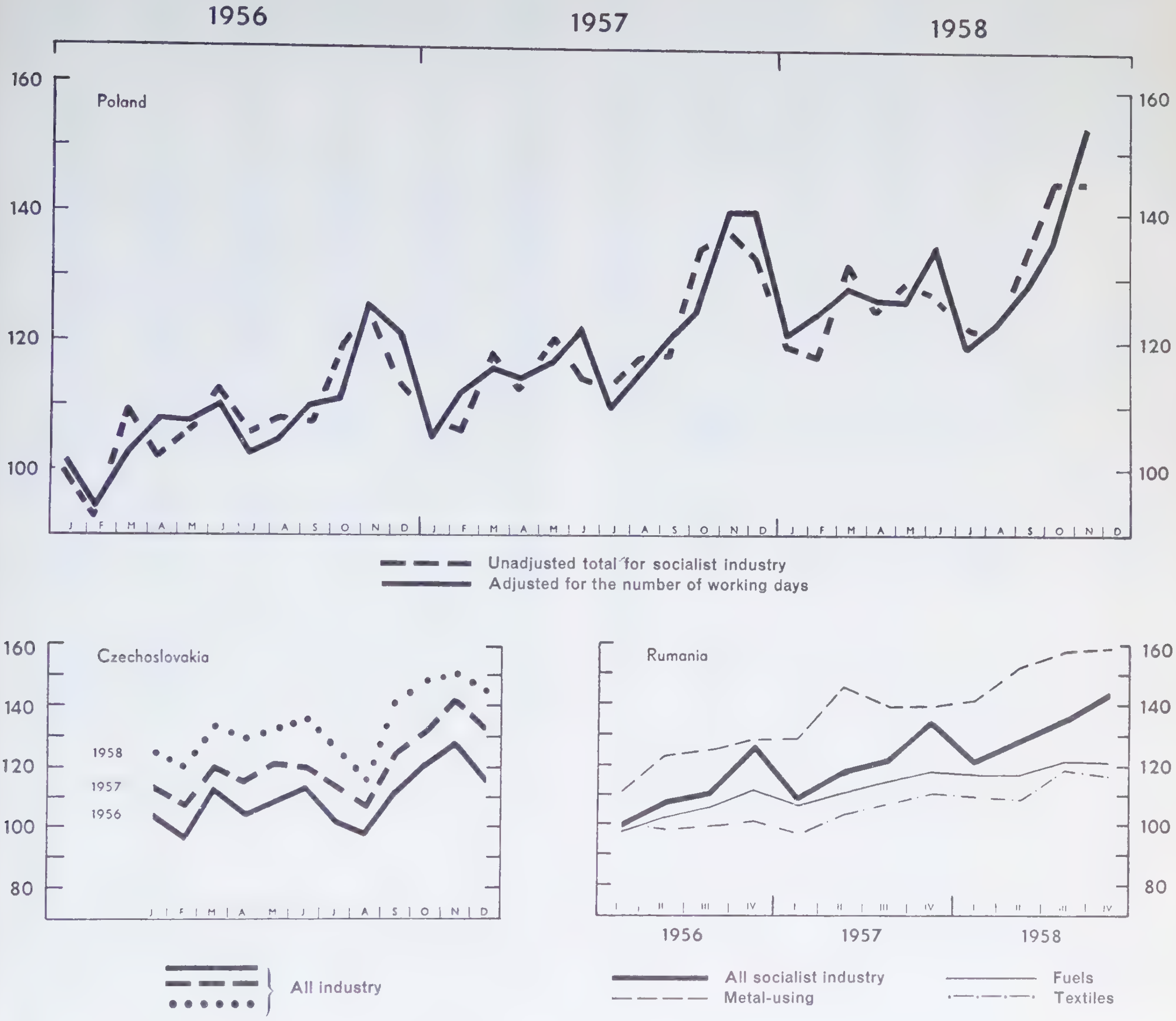
in eastern Europe in 1956 to 1958

monthly average = 100



Sources : National statistics.

NOTE. — With the exception of those for Poland none of the index numbers are adjusted to a working-day basis. The partial index numbers refer to selected industrial branches, as defined in each country's standard statistical classification, and therefore differ widely in coverage. Only quarterly figures are available for Rumania and, for 1958, for the individual branches of east German industry.

1956, and the subsequent recovery, distorted the 1956 and 1957 experience; but the usual seasonal pattern seems to have been resumed in the processing industries during 1958, with a specially marked drive for production at the end of the year following the relative stagnation in the earlier months.

Special measures designed to moderate these fluctuations have already been taken, or are being discussed in a number of countries, motivated by a mounting anxiety at the high cost of violent short-term variations in activity in terms of overtime working at the end of the plan period and concealed underemployment of labour at times when supplies are flowing only slowly into the enterprise. The measures have included special rewards, including time off, for a smooth spreading of output and deliveries over the plan period; and in the Soviet Union it has been suggested that enterprises should be obliged to deliver materials and finished goods to their customers' one month in advance of those

TABLE 15

Index of gross production per working day in 1957 in eastern Germany

(1955 = 100)

	Total	Energy	Mining	Metallurgy	Chemicals	Building materials	Heavy engineering	General engineering	Vehicles other than ship-building	Ship-building	Forgings and castings
January . . .	100.7	112.0	105.4	104.8	129.0	99.0	74.4	82.2	99.2	35.3	112.4
February . .	108.8	114.3	113.1	112.9	137.5	107.2	85.6	93.3	109.9	46.1	121.9
March . . .	113.9	117.4	113.1	117.1	137.8	109.8	102.7	110.1	129.4	58.8	123.7
April	110.3	117.1	112.6	109.9	123.8	129.9	93.6	101.8	109.9	67.8	116.1
May	117.0	111.4	112.6	114.5	125.3	140.2	103.2	111.0	118.9	79.4	124.2
June	123.1	110.1	114.2	119.6	127.6	144.1	139.9	125.2	129.8	134.6	121.7
July	104.2	111.0	105.9	109.5	123.8	132.2	95.8	95.2	99.9	65.4	105.2
August . . .	110.0	112.7	111.5	115.8	131.4	135.9	103.5	102.2	111.1	89.9	107.8
September . .	123.7	120.7	113.1	122.2	139.3	140.3	148.2	121.8	131.8	114.2	120.9
October . . .	119.0	118.8	111.6	109.7	134.4	129.6	107.1	114.0	117.3	97.0	114.8
November . .	135.0	129.6	117.2	123.8	142.5	139.4	133.5	130.3	138.4	99.2	129.9
December . .	143.3	131.5	113.6	121.6	138.2	121.3	211.6	175.3	176.7	148.0	128.0

	Metal goods	Electrical engineering	Precision instruments and optics	Wood processing, toys and musical instruments	Textiles	Ready-made clothing	Shoes and leather	Paper and cellulose	Printing	Glass and glassware	Food and beverages
January . . .	109.9	111.5	98.5	96.7	93.8	104.3	101.1	102.4	95.4	102.1	98.5
February . .	120.9	120.5	104.7	110.7	101.9	112.9	105.3	109.6	108.9	110.2	102.0
March . . .	124.4	129.4	114.0	114.0	106.6	114.4	109.2	111.1	114.8	106.9	100.2
April	119.7	122.1	105.2	111.8	117.5	109.4	105.7	108.1	110.4	101.1	102.2
May	128.2	128.4	115.7	116.8	125.0	115.9	113.7	114.4	119.2	102.7	111.9
June	129.2	141.6	129.3	118.3	125.0	111.9	114.5	108.0	124.6	100.2	111.4
July	115.5	113.8	101.8	105.3	98.2	102.5	86.9	102.5	102.1	93.9	99.7
August . . .	117.9	117.6	107.2	107.8	100.9	103.0	95.9	106.8	103.7	96.1	105.1
September . .	131.2	138.9	129.9	121.3	114.1	122.1	115.1	113.6	118.1	105.4	110.3
October . . .	123.3	129.2	112.1	113.6	108.1	117.1	109.8	112.4	112.1	102.3	129.3
November . .	142.1	147.9	131.3	130.1	123.3	136.6	128.3	125.5	125.4	115.7	152.4
December . .	146.9	162.6	160.5	130.0	122.2	126.8	122.0	121.6	129.9	114.4	142.9

Source : Statistical yearbook for 1957.

TABLE 16

Monthly export deliveries by east German engineering industry

Percentages of yearly total

Month	1957 Plan[a]	1956 Actual	1957 Actual
January	7.4	5.3[b]	2.6
February	4.2	5.3[b]	5.0
March	8.1	5.3[b]	7.5
April	5.0	6.4	5.6
May	5.8	7.3	7.1
June	9.0	11.0	11.2
July	6.1	7.6	5.1
August	7.9	8.5	7.3
September . . .	9.6	10.3	10.6
October	7.9	7.4	8.1
November . . .	9.8	8.9	10.2
December . . .	19.2	16.7	19.7

Source : *Vierteljahreshefte zur Statistik*, No. 4, 1958.

[a] On the basis of export contracts of the end of 1956.

[b] Monthly average of first quarter of 1956.

customers' needs.[105] However, such measures can hardly be expected to have much impact on a problem arising essentially from the combination of strains on resources, coincidence of plan periods and acceptance of fulfilment of gross output plans as the main measure of success. The solution is likely to depend mainly on the better adjustment of supplies to demand ; and some smoothing-out of the end-month output peaks has been reported in several countries in 1958. The monthly and quarterly patterns do not yet seem to have been greatly changed ; but a continuation of the relaxation of strains on supplies witnessed last year should bring further improvements.

(b) The current situation of individual countries

While plenty of imbalances in the eastern European and Soviet economies remain, and problems of raising productivity both of labour and of capital are a continuing preoccupation of the authorities in the region, the progress made during the last two years in alleviating some of the most hampering and widespread past shortages and distortions throws into relief the variations, rather than the similarities, in the production and trade structures and the economic development problems of individual countries. The remainder of this chapter therefore attempts to outline briefly the main features of each country's current position.

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[105] *Promyshlenno-ekonomicheskaya Gazeta*, 16 January 1959.

Czechoslovakia

Czechoslovakia and Hungary were the two countries showing the sharpest reductions in the rate of growth of total industrial output as a result of the shortages of basic supplies and imbalances in productive capacity which came to a head about 1953 or 1954. But in the former country a rapid expansion was subsequently resumed and has continued without a check to the present time, though complaints, both of specific shortages of fuels and materials and of failure of enterprises to fulfil assortment plans, have been continuous until this year. Nevertheless, the strength of the Czechoslovak economy, stemming from its diversified production and export structure, enabled it to wheather far more successfully than eastern Germany (the next most highly industrialized country of the region) both the intensified fuel shortage resulting from the cutting back of Polish coal exports at the end of 1956 and the relative slackening of demand in 1955 and 1956 in the engineering markets of the region.[106] Metal-using industries benefited from the boom in capitalist markets until mid-1957, and have not done badly in 1958; and markets for the traditional light industries expanded as a result of the large increases in consumption in eastern Europe in 1957 which continued, in eastern Germany and the Soviet Union, into 1958. The 18 per cent rise in the volume of imports in 1957 seems to have been sufficient not only to allow fairly smooth industrial progress in that year but to provide for the needs of 1958 without any immediate further rise in imports.

In 1958 total gross output of the "fuels and energy" branches increased, for the first time since 1954, faster than total industrial production. Similarly, the plan for installing power generating capacity has been overfulfilled for the first time since such plans were made, and capacity has increased by nearly 10 per cent, equalling — also for the first time — the rate of growth of electricity output.[107] Neither deliveries of investment goods to the domestic market nor acceptance of export orders seem any longer to be seriously limited by metals supplies, whereas even in 1957 both the plan for investment in machinery and that for engineering exports were under-fulfilled. The 17 per cent increase in the output of the Ministry of Heavy Engineering in 1958 shows that even this branch, held back in 1955-1957 by the shortage of materials, has fully participated in the general expansion, together with vehicles, agricultural machinery and metal-made consumers' goods. The pattern of expansion is illustrated by the following figures (percentage increases over the 1957 level):[108]

A. Below average

Passenger coaches	−33	Phosphate fertilizer	6
Buses	−20	Motor-cycles	6
Spirits	−18	Lime	6
Tyres	−4	Paper	7
Coke	−2	Bricks	7
Goods wagons	−1	Tiles	7
Iron ore	0	Washing machines	7
Beer	1	Crude steel	7
Window glass	2	Hard coal	7
Meat products	3	Rolled steel	8
Sulphuric acid	4	Sugar	8
Caustic soda	5	Silk fabrics	9
Rubber footwear	5	Cotton fabrics	9
Metal-cutting machine tools	5	Furniture	9
Food industry	*6*	*Metallurgy*	*9*
Pig iron	6	Slate for roofing	9

B. About average

Knitted underwear	10	Brown coal	11
Linen and semi-linen fabrics	10	*Manufactured consumers' goods*	*11*
Precision instruments	*10*	*Chemicals*	*11*
Woollen fabrics	11	*Fuel*	*12*
Electric power	11	Cement	12

C. Above average

Energy	*13*	Diesel motors	22
Lignite	13	Leather footwear	22
Lorries	13	Motor-cars	26
Sulphonamides	13	Electric cookers	27
Artificial fibres	14	Domestic sewing machines	28
Petrol	14	Calculating machines	30
Tractors	16	Pre-fabricated building components	34
Heavy engineering	*17*	Steam turbines	43
Agricultural machinery and vehicles	*17*	Rolling-mill equipment	46
Radio sets	19	Nitrogenous fertilizer	46
Automation equipment and semi-automatic lathes	19	Hydro turbines	48
Building industry	*20*	Chemical equipment	55
Roller bearings	20	Aluminium	58
Refrigerators	21	Natural gas	67
Staple fibres	21	Television sets	69
Polyvinyl chloride	21	Steam boilers	70
Vacuum cleaners	21	Power-assisted bicycles	132
		Motor scooters	703

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[106] See the SURVEY for 1957, Chapter VI, section 2.

[107] However, the practical value of this achievement was temporarily reduced by the fact that only 280 MW out of the 435 MW capacity installed during the year could be definitely commissioned, while the others are still at the stage of trials. The plan for commissioning was 403 MW. (For figures concerning the earlier years see the SURVEY for 1957, Chapter I, p. 17.)

[108] These data, and those for other countries given below, have generally been computed from the annual plan fulfilment reports. The figures in italics refer to the gross output of industrial ministries or groups of centrally managed enterprises, and have only an indicative value: they should not be confused with the industrial branches referred to in Chart 5. The other percentages refer generally to physical quantities (sometimes values) based on the absolute figures now available in statistical yearbooks and bulletins.

TABLE 17

Index numbers of productivity in physical units in Czechoslovakia in 1958

Corresponding quarter of 1957=100

	I	II	III
Hard coal per miner	100	102	100
Brown coal per miner	109	111	109
Electric power generation per worker in power stations	114	120	109
Daily production of steel, in tons per sq.m. of hearth surface of open-hearth furnaces	112	100	102
Rolled products per worker in rolling mills	108	104	106
Bricks and roofing tiles per worker	120	99	108
Production of worsted yarn in kg. per hour per worker in spinning mills	98	109	109

Source : Economic News Service, No. 1 ,1959.

Finally, considerable investments, together with better utilization of equipment, have raised productivity in the basic sectors where output can be measured in physical quantities (see Table 17), so as to relieve to some extent the manpower shortage in these industries. There remains the relatively less important problem of increasing the flexibility of production planning so as to avoid the building-up of large unsaleable surpluses of particular goods — while accentuating shortages of others — as demand patterns change. This is of more immediate importance in Czechoslovakia than in some other countries of the region, simply because of the greater diversity of the industrial structure and the higher income levels in that country. Some of the issues involved in its solution are discussed further in Chapter IV, section 3, below.

Eastern Germany

The eastern German economy is basically more vulnerable than that of Czechoslovakia to unfavourable external developments, first, because of its greater dependence on imported fuels and raw materials and, secondly, because of its exports structure. Whereas in Czechoslovakia engineering exports account for only some 40 per cent of the total, and are widely distributed over practically all major branches, in eastern Germany this share reached 60 per cent after the suppression of reparation deliveries in 1954, and has only recently fallen back to 48 per cent. Moreover, these exports are still mainly heavy engineering products, despite the changes in composition recently achieved, including such very metal-intensive goods as ships, steel constructions and equipment for cement and metallurgical plants. The unbalanced east German industrial structure at the start of the post-war period, and the long-continued external burdens on the economy, meant that a much smaller proportion of investment than in Czechoslovakia could be devoted to diversification and technological improvement within the processing branches ; and resources were heavily concentrated until the mid-1950s on new capacity for fuels, metals production and a few branches of engineering.[109]

The strains felt by most eastern European countries in 1953-1954 were alleviated for eastern Germany by the ending of reparation deliveries, which made possible additional imports, and thus a fuller utilization of light industrial capacity ; and past investments in the basic sectors also began to bear fruit at that time. By the end of 1955, however, east German metal-using industries were facing difficulties in expanding, or even maintaining, their exports (predominantly oriented towards other markets within the region and insufficiently competitive in the west). A major new investment drive, initiated in 1956, aimed mainly at rapid expansion of domestic supplies of fuels and materials[110] and a complete re-tooling of the engineering industries within two to three years. The result was a levelling-off of east German trade and an intensification of raw material shortages even before the substantial reduction in availabilities of fuels and metals, consequent upon Hungarian and Polish difficulties, towards the end of 1956.

The smallest post-war increment of industrial output in eastern Germany was registered in that year ; but the situation was changed in 1957 by the provision of greatly increased supplies of fuels and materials — particularly from the Soviet Union — and the stepping-up of Soviet orders for east German exports. This development continued into 1958. Soviet and eastern European markets absorbed not only more equipment, but also a wide range of manufactured consumers' goods, and imported supplies of critical materials and fuels were sufficient to permit the largest proportionate rise in output since 1953 despite the continued slow growth (by 1 per cent) of east German brown coal production. Changes in the structure

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[109] See the *Economic Bulletin for Europe,* Vol. 8, No. 3, pp. 70-84.

[110] The 1956-1960 Plan, in its first version, provided for a 30 per cent increase in brown coal production, with a 55 per cent increase in industrial output. Actually, the increase in brown coal production will be hardly more than 15 per cent for the same increase in total output.

TABLE 18

Structure of production and exports in east German engineering industry

	Production [a]			Exports [b]		
	1955	1957	1957 (1955=100)	1955	1957	1957 (1955=100)
Total	100.0	100.0	118	100.0	100.0	113
Heavy engineering [c]	18.3	19.2	124	22.9	20.4	101
General engineering	16.1	15.4	113	18.9	17.4	104
Vehicles	19.8	20.2	121	14.5	15.3	119
Shipbuilding	6.7	4.6	81	11.0	9.3	95
Metal goods	8.3	8.2	117	1.5	2.3	168
Electrical engineering	19.8	21.6	129	11.9	11.5	109
Precision and optical instruments	6.0	5.7	112	10.1	11.0	122
Complete industrial installations [d]	—	—	—	9.2	12.8	157
Castings and forgings [e]	4.2	5.1	121	—	—	—

Sources : Statistical yearbook for 1957 and *Vierteljahreshefte zur Statistik*, No. 4, 1958.

[a] Gross output at unchanged plan prices.

[b] At current foreign trade prices.

[c] Includes the very labour-intensive machine tools, the exports of which have increased by about a half, whereas the metal-intensive sector (some 60 per cent of total heavy engineering) has decreased by 20 per cent.

[d] Mainly under heavy, general and electrical engineering in production.

[e] Intermediary products, not exported as such.

of exports and output in the metal-using industries permitted a growth of production greater than the rise in metal inputs (see Table 18), and labour productivity in these branches rose particularly fast. At the same time improved supplies permitted cost reductions, through better use of capacities, in the metallurgical branches.

The decision to raise consumption substantially in 1958 (see section 2 above), itself made possible only by the easing of balance-of-payments and raw materials supply problems, contributed to the growth of light industrial output at rates contrasting strikingly with the quasi-stagnation of these branches in 1956. This is illustrated by the following figures (percentage increases in output over the 1957 level) : [111]

A. Below average

Iron ore	−0.6	Hard coal	5.4
Brown coal	1.1	Motor-cycles	5.4
Brown coal briquettes	1.2	Nitrogenous fertilizer	5.6
Bricks	2.4	Knitted underwear	5.6
Cement	2.8	Phosphate fertilizer	5.9
Cellulose	3.1	Rolled steel sheets	6.1
Coal mining	*3.3*	Copper ore	6.4
Sulphuric acid	3.4	Electric power	6.5
Lime	3.4	Pig iron	6.7
Potash salts	3.8	Wrist watches	6.8
Tiles	4.0	Hot rolled steel	7.1
Calcined soda	4.2	Caustic soda	7.1
Calcium carbide	4.5	*Wood, paper, cellulose*	*7.5*
Paper	4.7	*Mining and metallurgy*	*7.8*
Sulphur	4.9	Knitted outerwear	8.6
Crude steel	5.1	Polyvinyl chloride	8.7

B. About average

Cold rolled steel	9.1	*Textiles, clothing, leather*	*10.9*
Chemicals	*9.5*	*Food processing*	*12.0*
Heavy engineering	*9.5*	Tyres	12.0
Motor-cars	9.5	Leather footwear	12.1
Glass and ceramics	*9.6*	Radio sets	12.8
Polystyrol	10.1	Synthetic rubber	12.9
Worsted woollen fabrics	10.6		

C. Above average

Perlon yarn	13.6	Equipment for light industry	23.3
General engineering	*14.0*	Carded woollen fabrics	28.0
Furniture	14.0	Equipment for food industry	28.5
Men's ready-made clothing	14.8	Motor scooters	29.8
Non-cutting machine tools	15.0	Electric stoves	34.4
Pre-fabricated building components	16.0	Equipment for briquette factories	36.9
Power-assisted bicycles	16.9	Spare parts for agricultural machinery	41.5
Perlon silk	17.3	Children's ready-made clothing	43.4
Electrical engineering	*17.6*	Perlon fabrics	45.9
Cement products	18.6	Machinery for sugar refineries	51.8
Women's ready-made clothing	19.7	Television sets	65.5
Accounting machines	21.5	Wheeled tractors (18-30 hp)	76.8
Agricultural machinery	21.8	Refrigerators	110.2
Machinery for paper factories	22.4		
Chemical equipment	23.1		

As in most other countries, electric power production and the installation of new capacity (a 10 per cent increase) more nearly kept pace with general industrial growth than in the past ; and the weakest sector of east German industry is now building, where output is hampered by the lagging of materials supplies and by labour shortage.

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[111] See footnote 108 above.

Hungary[112]

After production crises in 1953-1954 and again in 1956, credits granted in 1957 — mainly from the Soviet Union — permitted a rise of raw material imports to a level one-third above their previous peak and the start of a process of economic recovery which was continuing throughout 1958. The effects of past trade difficulties and their impact on investment and output — as well as planners' optimism about the possibilities of domestic expansion in basic sectors — are reflected in the fact that for a number of key products output in 1958 was still below the targets set for 1954 in the First Five-year Plan:

	Plan 1954	*Actual 1958*
Coal and lignite (million tons)	27.5	24.2
Electric power (million MWh)	6.93	6.50
Crude steel (million tons)	2.20	1.63
Cement (million tons)	2.10	1.30
Cotton fabrics (million sq. m.)	264	218
Woollen fabrics (million sq. m.)	27.0	25.2

Sources: Magyar Közlöny, No. 78, 1951, pp. 443-449; *Népszabadság*, 18 January 1959.

Hungary has thus remained heavily dependent on imports of fuels and most raw materials, with good possibilities for production of high-quality foods, large bauxite deposits and — a potential rather than an actual asset — rich sources of nuclear fuels as its main indigenous material resources. Neglect of agriculture, as elsewhere in the region, for long limited the growth of output and exports of foodstuffs. However, since the peak of the last period of steady economic expansion in 1953, some progress has been made in changing the pattern of production so as to lessen balance-of-payments strains. Within the rapidly expanding chemicals sector pharmaceuticals production for export has risen particularly fast, together with output of fertilizers and of organic chemicals; and within the engineering sector output has been increasingly oriented towards products with a low import content, such as electrical and telecommunications equipment (output of the electrical engineering industry rose by 60 per cent over the five years) and precision instruments. Nevertheless, the general pattern of Hungarian development implies a continuing heavy dependence on foreign trade.

Index numbers of gross output in Hungary in 1958

1953=100

Mining	108	Total heavy industry	123
Electric power	142	Light industry	132
Metals	120	Food and beverages	128
Chemicals	167	All state industry	125
Building materials	128	Co-operative and private industry	135
Basic industries	133		
Metal-using	115		

As the above figures show, electric power production has kept pace with industrial growth rather better in Hungary than in some other countries of the region, and again rose faster than over-all industrial output in 1958. Coal stocks carried over from 1957, together with higher domestic output, allowed imports of coal to be cut by more than half; and increases of some 40 per cent in iron ore imports and of 10 to 15 per cent in imports of rubber, cotton and wool also helped — together with the previous year's stockbuilding of other materials — to support the general expansion. While exports both of machinery and equipment and of foodstuffs rose fast in 1958 (by 30 per cent and 20 per cent respectively) the most rapid growth within the over-all rise of 40 per cent[113] was almost certainly in the consumer-goods field. This was made possible to some extent by the stabilization of consumption noted in section 2 above; and, as can be seen from the following data, the major increases in output in 1958 were in the metal-using sectors (percentage increases in output over the 1957 level[114]):

A. Below average

Cigarettes	−4	Cotton fabrics	5
Vertical lathes	−4	Woollen fabrics	6
Bricks	2	Knitwear	8
Food processing	*4*	*Textiles*	*9*

B. About average

Clothing	*12*	Sulphuric acid	14
Beer	12	*Building materials*	*14*
Coal	14		

C. Above average

Bauxite	15	Crude oil	23
Leather shoes	16	Lorries	23
Engineering	*17*	*Radio and electronic equipment*	*29*
Crude steel	18	Cement	32
Metallurgy	*18*	Buses	44
Precision instruments	*18*	Aluminium	52
Chemicals	*18*	Motor-cycles	59
Electric power	19	Nitrogenous fertilizers	92
Mining	*19*	Television sets	483
Rolled steel	21		

Poland[115]

Many of the difficulties hampering development of the Polish economy in the mid-1950s were the inevitable result of a very rapid process of industrialization involving the establishment of new, and large, units of production heavily concentrated in the metallurgical, engineering and chemicals branches. With each new project representing large additions to capacity in its branch, every completion was virtually certain to create temporary bottlenecks in raw materials supplies or related processing capacities, or both. The need to rely on a small margin of foreign trade — connected with the stagnation of agriculture and relatively slow growth of output of basic materials and coal as well as with the strong investment drive — meant that scarcities due to lagging of planned capacities in one branch behind the progress in another could not easily be relieved by imports.

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[112] See also *Economic Bulletin for Europe*, Vol. 7, No. 2, pp. 85-110 and Vol. 9, No. 1, pp. 67-87.

[113] The rise over the 1955 export peak was 12 per cent.

[114] See footnote 108 above.

[115] For a more detailed discussion of past developments, see *Economic Bulletin for Europe*, Vol. 9, No. 3, pp. 21-42.

Trade problems were intensified in 1957 by the rapid rise in consumers' incomes and the poor harvest of 1956 ; but the point had, in any case, been reached where a continuation of past rates of over-all industrial growth depended on the drastic cutting back of coal exports and the rapid expansion of imports of raw materials, especially — given the change since 1954 in the relative priorities accorded to industrial investment and to the growth of consumption — for the light industries. In 1958, by contrast, the industrial expansion was continued despite a restoration of part of the earlier cut in coal exports and without further increasing imports of raw materials (or the level of industrial employment). Drawing on raw material stocks assisted this development, as did some shift of emphasis back to a faster relative expansion of engineering (including production of consumers' durable goods[116]) and chemicals than of the light industries, and a significant widening of traditional bottlenecks in power supplies and some other products.

The improvement of coal production, already noted, promises to be lasting, since it represents higher output per man-shift ; and the growth of electricity output and power generating capacity was even greater than in Czechoslovakia and eastern Germany, at least temporarily eliminating all shortages of power. In the metallurgical industries, cost reductions and improvements in the product-mix have been reported, as is the case in the engineering sector also. Serious cuts in production and exports of railway rolling stock (an important branch of Polish engineering) have been mainly due to the large-scale change-over from steam to electric and diesel locomotives now proceeding in Poland and elsewhere in the region. The rapid expansion of chemicals output mainly reflects the entry into production of new plants ; and the lagging of some light industrial branches behind the general expansion reflects, in part, a slow adaptation to changes in demand for their products. The main pattern of development is illustrated below (percentage increases in output over the 1957 level[117]) :

A. Below average

Steam locomotives	−69.2	Railway passenger carriages	3.8
Freight wagons	−68.1	*Timber and wood processing*	*4.4*
Tractors	−35.4	Pig iron	4.9
Spirits	−8.8	*Mining and energy*	*4.9*
Window glass	−4.3	Cotton fabrics	5.0
Agricultural machinery	−2.8	Cellulose	5.1
Hosiery	−2.7	Lathes	6.2
Bricks	−0.5	Steel	6.2
Hard coal	0.9	Cigarettes	6.2
Lime	1.0	Silk fabrics	6.7
Lorries	1.3	Linen fabrics	6.8
Coke	2.2	Beer	7.0
Woollen fabrics	2.3	Paper	7.3
Zinc	2.4	Rayon yarn	7.5
Rubber footwear	2.5	*Food processing*	*7.8*
Rolled steel	3.4		
Sugar	3.4		
Sewing machines	3.6		

B. About average

Knitwear	8.1	*Light industry*	*9.5*
Building and building materials	*9.3*	Aluminium	10.2

C. Above average

Caustic soda	10.6	Vegetable fats	28.8
Metallurgy and metal working	*11.3*	Bicycles	35.9
Cement	12.1	Tyres	35.9
Artificial fertilizers	12.4	Motor-cycles, motor scooters and power-assisted bicycles	40.9
Electric power	13.2	Motor-cars	41.7
Meat preserves	13.8	Electric motors	43.2
Chocolate products	14.2	Electric washing machines	53.1
Sulphuric acid	14.8	Calcined soda	58.6
Leather footwear	14.9	Stylon	67.3
Chemicals	*15.7*	Margarine	75.8
Sea-going vessels	18.6	Refrigerators	153.7
Wine	19.0	Television sets	257.1
Radios	22.1	Polyvinyl chloride	2,434.3
Pharmaceuticals	26.1		
Brown coal	26.6		

Rumania

Data on Rumanian industrial development are fragmentary, but sufficient to indicate a greater concentration on basic sectors, especially fuels, and less development of processing than in most other countries of the region. Investments have been concentrated in the most capital-intensive sectors, thus offering relatively limited possibilities of expanding industrial employment ; and an extreme example of this type of development is the recent commissioning of two fully automated blast furnaces, in Hunedoara, employing only eight workers per shift.[118]

Since 1950 investments in the oil and natural gas sectors have absorbed some 30 per cent of all resources devoted to industrial investment ; but the marginal return to investment in the oil industry appears to have been steadily falling. Reserves of oil and gas are relatively limited,[119] but these represent 80 per cent of all fuel reserves available for immediate industrial exploitation — compared with an estimated 40 per cent of total fuel reserves. Crude oil output has increased only slowly since 1955 (by 6 per cent up to 1957), and the lack of investments in refining installations[120] perpetuates extremely wasteful processing. Since there is a shortage of refining equipment throughout eastern Europe, it is unlikely that Rumania can rapidly modernize this sector; and competition for equipment with other producers might affect also the prospects of a chemical industry based on natural gas, which is still in its infancy in Rumania.

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[116] The very large increases registered in these lines of production reflect changes — retooling, etc. — in the engineering sector started as early as 1956.

[117] See footnote 108 above.

[118] *Probleme Economice*, No. 5, 1958, p. 144.

The persistent difficulties in the petrol industry (and also in timber) contrast with the recent improvements in the metallurgical branches. The completion of the Hunedoara blooming mill at the end of 1958, following that of the tube rolling plant in Roman and of the blast furnaces mentioned above, means that the most important investment projects of the First Five-year Plan are, or soon will be, completed. Output in the metallurgical sector will increase in 1959 by some 25 per cent to reach the targets initially set under the Plan for 1955.

Output

(Thousands of tons)

	1955 Plan	*1957 Actual*	*1958 Actual*	*1959 Plan*
Pig iron	800	686	745	..
Crude steel	1 252	864	950	1 300
Rolled steel (including tubes)	1 018	663	..	..

Sources: Plans, plan fulfilment reports and *Munca*, 23 December 1958.

Bulgaria

Bulgarian industry seems to have been less affected than that of some other countries in the past by fuel and power scarcities, which were virtually eliminated by the end of 1956; and engineering is still too small a sector for shortage of metals to have seriously limited progress. Fluctuations in over-all industrial output have reflected mainly the impact of harvest variations on the output and exports of the food processing industries. Production in the textiles sectors has been largely determined by foreign supplies of materials, and by Soviet export orders; but, in general, variations in the rate of growth of export earnings and — at one remove — in imports have affected mainly the rate of domestic investment in equipment.

In 1958, although it is still uncertain whether total industrial output rose by 11-12 per cent or by 16 per cent (both figures have appeared in official sources), it is apparent that the over-all expansion reflects a combination of very rapid expansion in the new basic industries,[121] especially ore-mining, chemicals and ferrous metallurgy with an equally substantial increase in the traditionally important food industries.[122] Other branches accounting for a large part of total output (e.g., textiles and clothing) have progressed less rapidly, as is indicated below (percentage increases in output over the 1957 level[123]):

A. Below average

Tinned vegetables	— 2	Cement	6
Paper	3	Coal	7
Timber	5	Woollen fabrics	7
Timber and timber processing	*5*	Silk fabrics	8
Fuels	*5*	Nitrogenous fertilizer	9
		Textiles	*9*

B. About average

Zinc	10	Goods wagons	12
Calcined soda	10	Window glass	12
Lime	10	Meat products	13
Cellulose	10	Electric power	14
Cotton fabrics	11	Plywood	14
Zinc concentrates	11	Tyres	14
Lead concentrates	12		

C. Above average

Lead-zinc ore	15	Edible oil	22
Tubes	15	*Chemicals*	*22*
Caustic soda	15	*Food processing*	*22*
Butter	16	Grain combines	22
Confectionery	17	Veneer	23
Non-ferrous metallurgy	*17*	Footwear	23
Kitchen ware	17	*Metal-using*	*24*
Bricks	18	Beer	25
Building materials	*18*	Copper ore	25
Glass and porcelain	*19*	*Ferrous metallurgy*	*26*
Rolled steel	19	Sugar	27
Hard leather	19	Electric motors	27
Upper leather	19	Crude steel	32
Soft leather	19	Lead	37
Cheese	19	Tinned fruit	54
Leather and footwear	*20*	Sulphuric acid	58
Radios	21	Phosphate fertilizer	334

Albania

Industrial output again rose fast — by 20 per cent — in 1958 in Albania; and ore mining not only showed the biggest increases over 1957 (chrome output rose by 20 per cent, copper by 56 per cent and extraction of iron-nickel ores began with a production of 88,000 tons) but the biggest excesses over plan. A cutback (larger than had been scheduled) took place in crude oil output (from 490,000 to

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[119] See *Lupta de Clasa*, No. 4, 1958, p. 65; *Probleme Economice*, No. 10, 1958, p. 86.

[120] In the 1954-1957 period, 76 per cent of investments in this sector went to extraction and only 13 per cent to refining (*Probleme Economice*, No. 4, 1958, p. 22).

[121] Except in crude oil, where output has decreased in the first nine months of 1958, possibly on account of a deliberate holding back of extraction to match refinery construction.

[122] In 1957 the output of state food industries increased by only 2 per cent following the bad 1956 crop.

[123] See footnote 108 above.

403,000 tons), presumably because the 1957 gusher had overrun storage and refinery capacity,[124] but the full operation of the refinery at Cerrik (commissioned in stages during 1957) brought increments of 46 per cent in motor spirit and of 31 per cent in derv fuel. The completion of the Karl Marx hydro-electric station at Ulze in January 1958 seems to have added little to power output.[125] Total generation during 1958 was 150 million kWh, or 25 million more than in 1957, and will be only 165 million kWh in 1959, whereas the rated capacity of the new station in a normal water year should generate 120 million kWh. The drought must have retarded the filling of the reservoir and the grid to Tirana and Cerrick has not yet been completed. Petroleum clearly supplied a greater share of energy during the year, while coal output rose by just 8½ per cent—in accordance with the country's long-term fuel programme[126] a big mechanization programme was nevertheless introduced in the coal mines during 1958.

Percentage of fuel production

	1955	*1960*	*1965*
Oil	71.5	86.0	87.0
Coal	25.6	11.0	5.3
Gas	2.9	3.0	7.7

Source: *Ekonomia Popullore*, No. 5, 1958, pp. 26-27.

Consumers' goods production partly reflected the harvests of 1958 and the preceding year — sugar output rose by 14 per cent, tobacco products by 88 per cent but olive oil output dropped by 12 per cent — and partly a re-direction of resources — furniture output rose by 37 per cent but production of plywood fell by 8 per cent.

Soviet Union

The 1958 plan — the gross value of which called for a 7.6 per cent increase over 1957 and for which a 2½ per cent over-fulfilment was recorded[127] — placed particular emphasis on chemicals, oil refining, natural-gas exploitation, and metallurgy (notably ore extraction). With the exception of oil-refinery equipment, the target for which was not attained, all these sectors in fact grew faster than had been planned.

The percentage changes in output between 1957 and 1958 of a number of important products have been as follows:[128]

A. Below average

Maize combines	−81
Grain combines	−50
Silage cutters	−31
Tractor seeders	−22
Tractor cultivators	−15
Beet combines	−15
Vegetable oil	−15
Generators	− 7
Passenger coaches	− 4
Macaroni products	−0.8
Looms	−0.2
Soap	1
Lorries and buses	2
Metallurgy equipment	3
Ethyl alcohol	4
Cotton fabrics	4
Butter	4
Food processing	*5*
Clocks and watches	5
Hosiery	5
Silk fabrics	5
Paper	5
Trolley buses	5
Goods wagons	5
Sulphuric acid	5
Mineral fertilizer	5
Coke	5
Iron ore	5
Metal-cutting machine tools	6
Timber	6
Fish	6
Confectionery	6
Tea	6
Wine	7
Tinned goods	7
Woollen fabrics	7
Excavators	7
Shale	7
Coal	7
Rolled steel	7
Steel	7
Pig iron	7

B. About average

Knitted underwear	8
Forge and press equipment	8
Motor-cars	8
Tractors	8
Felt footwear	8
Meat	8
Champagne	8
Cigarettes	8
Metallurgy	*9*
Timber, paper and wood-working	9
Manufactured consumers' goods	9
Metal beds	9
Sausage products	9
Steel tubes	10
Fuel and power	*10*
Small electric motors	10
Bearings	10
Window glass	10
Radios	10
Bicycles	10
Electricity	11
Slate	11
Soft roofing	11
Cameras	11
Chemical equipment	12
Electric vacuum apparatus	12
Man-made fibres	12
Leather footwear	12
Knitted outerwear	12

C. Above average

Chemicals and rubber	*13*
Motor tyres	13
Linen fabrics	13
Engineering and metal-working	*14*
Large electric motors	14
Crude oil	15
Cement	15
Bricks	15
Refrigerators	16
Whole milk produce	16
Sewing machines	18
Motor cycles	19
Pianos	20
Sugar	21
Grain cleaners	21
Oil equipment	21
Furniture	23
Turbines	23
Pre-fabricated houses	24
Electric locomotives	27
Tractors and ploughs	28
Graders	29
Pre-cast concrete components	31
Television sets	38
Washing machines	43
Gas	48
Tractor mowers	59
Concrete wall blocks	60
Diesel locomotives	78

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[124] Rail and pipeline capacity may have been a further bottleneck.

[125] Because its power was very much cheaper than that from existing plants, electricity tariffs for non-industrial users were cut by 22 per cent when the new station came into operation.

[126] Based on the distribution of fuel reserves (in calorific content): oil — 91 per cent, natural gas — 7 per cent and coal — 2 per cent.

[127] Year-to-year and plan-fulfilment comparisons are vitiated in conditions of substantial changes in specialization among enterprises and of the introduction of new goods (each year over 1,500 major types of equipment alone are introduced). As the list below shows gross-valued sector outputs have tended to show greater rates of growth than their basic components (metallurgy over iron ore, pig iron, steel; and rolled products; timber, paper and wood-working over timber and paper, chemicals over fertilizers and sulphuric acid).

[128] See footnote 108 above.

Oil and gas extraction have grown substantially — mainly, as already mentioned, to alter the energy balance away from the costlier solid fuels, but also to replace coal and agricultural products as inputs for the rapidly developing chemicals industry.[129] Data on the composition of chemicals output remain, however, exiguous. Fertilizer production, although greater than planned, rose by only 5 per cent — indicating the need for very rapid future growth to achieve the proposed tripling of badly needed supplies to agriculture during the Seven-year Plan. Similarly, the 12 per cent expansion of output of man-made fibres contrasts with the tripling planned for the next seven years for the synthetic polymer groups and the heavy dependence of the textiles targets thereon.[130] Reflecting this, and the stagnation of the domestic cotton crop (see Table 10),[131] the aggregate output of textiles rose by only 4½ per cent.

The total value of consumers' goods manufactured rose by 9 per cent, thanks to the continued growth of metal-made durable goods ; and the non-fulfilment of the ambitious plan for this sector may be attributable to difficulties in inter-industry supplies,[132] although — as was mentioned above — the over-all shortage of steel sheet[133] must have been diminished as a result of the re-tooling in agricultural engineering plants — to change production-lines to less metal-intensive models — which caused a cut-back in farm machinery output and of the slow rise of motor-vehicle production — probably also because of re-tooling.

The bottleneck in building materials continues to be the main limitation on the already rapid growth of construction. The situation improved during 1958 partly because of the improvement in cement supplies, which was a general feature throughout the region, but also because timber supplies (another major bottleneck) were above plan. However, bricks, water and sewage pipe, sanitary ware and electrical installations remain in deficit.[134] Part of the problem nevertheless resides in the preferential distribution of supplies by the regional economic councils (sovnarkhozy) formed in 1957 to their own enterprises, frequently criticized by planning officials and the sufferers.

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[129] On the development of the petro-chemicals industry see L. Kostandov, Deputy Chairman of the State Committee on Chemicals, *Promyshlenno-ekonomicheskaya Gazeta*, 18 January 1959.

[130] Of the 500 million metres of woollen cloth planned for 1965, 450 million are to be made wholly or partly from synthetic wool, of the 1,485 million metres of silk cloth, 1,237 million are to be from artificial silk. Of the 7,700 to 8,000 million metres of cotton cloth, however, only 480 million are to be from man-made fibres.

[131] Partly offset by growing wool supplies both from the home clip (see Table 12) and net imports (35,700 tons in 1956, 43,500 tons in 1957).

[132] The production centres of the goods for which targets were not reached are in areas of sovnarkhozy without substantial fine rolled steel production.

[133] The deficit of certain types of rolled steel was remarked in 1957 as causing under-capacity working in a number of engineering enterprises (A. Efimov, *Perestroika upravleniya promyshlennestyu i stroitelstvom v SSSR*, 1957, p. 99).

[134] e.g., D. Karaev, *Izvestia*, 24 December 1958; N. Bairamov, ibid., 25 December 1958; O. Bagdasaryan, ibid; A. Chulit, *Pravda*, 14 January 1959; V. Pishchela *et al.*, ibid., 24 January 1959.

CHAPTER II

THE WESTERN EUROPEAN ECONOMY IN 1958 AND POSSIBILITIES FOR RENEWED EXPANSION

A. ECONOMIC DEVELOPMENTS IN 1958

1. DOMESTIC DEMAND, OUTPUT AND EMPLOYMENT

By the middle of 1958, industrial expansion had come to a standstill in most industrial countries of western Europe,[1] and in a few of them output had even declined. This development was the outcome both of contractionary policies adopted over the last few years to restore external and internal balance, and of a partially autonomous slowing down of investment demand and a levelling-off of overseas demand for exports. Both the fairly sharp declines in stock accumulation and the weakening of exports to overseas were in part the delayed consequences of the slowing-down since 1955 of the rate of expansion in most countries. The main supports of economic activity in 1958 were private consumption, the construction of dwellings and, in some countries, public expenditure.

There was a marked change in the outlook of governments and businessmen in the course of the year, with the initial apprehensions concerning the direct and indirect effects of the recession in the United States on western European economies giving way, by the end of the year, to a moderate optimism. Favourable factors in the present situation, which should have removed some of the considerations inhibiting governments from taking more energetic action to stimulate domestic economic activity, include, first, the slowing-down of wage increases, and the moderation shown in wage claims; secondly, the achievement of price stability in the majority of western European countries; and, thirdly, the improvements in most countries' foreign exchange reserves. The relaxation of some official restraints and the adoption of certain — although in most cases still cautious — measures to stimulate demand in western Europe, the fact that stocks of many raw materials have now been run down, and the progress of economic recovery in the United States, have already contributed towards creating an improvement in the economic climate in recent months. In western Germany and Austria the upward trend of output was resumed in the latter part of 1958; and in the United Kingdom, the Netherlands and Denmark there have been recent indications of a reversal of, or at least a halt, to the previous decline. It would thus appear that a turning-point may have been reached in the western European economy: in some countries a renewed although moderate upturn has already started or is within sight and, with the possible exception of France, no further fall in activity appears to be threatening elsewhere.

The Course of Domestic Demand

The rate of growth of real gross national product slowed down in 1958 in all countries for which data are available (see Table 1); and in the United Kingdom, Norway and Finland gross national product declined. All sectors of demand generally weakened, but it was the levelling-off in the rate of expansion of fixed investment and exports — the two most dynamic sectors of demand during the boom — which particularly affected the over-all rates of growth. The decline in the rate of stockbuilding in the course of the year and in some instances de-stocking, was a major factor in some countries. However, the effect of stock changes on gross national product is less in western Europe than in the United States, since western Europe is much more dependent on imported raw materials.

The rate of growth of fixed investment slowed markedly in all countries except Norway and Sweden. This was due not only to monetary and fiscal restraints on investment, but also to autonomous factors affecting private investment demand. The investment boom, followed by the levelling-off of total demand, created fairly widespread excess capacities and this affected businessmen's expectations and investment decisions. However, investment demand speeded up again in the course of 1958 in western Germany and Austria: in the former country this was mainly reflected in house-building — but investment in equipment also increased again, largely in non-industrial sectors — and

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[1] See the *Economic Bulletin for Europe*, Vol. 10, No. 3, pp. 2-3, Chart I, which shows the levelling-off of industrial output in one country after another since the latter part of 1954.

TABLE 1

Supply and use of resources

Percentage change in volume from the previous year

Country		Resources			Utilization			
		Gross national product	Imports	Total	Gross fixed investment	Private consumption	Public consumption	Exports
Austria	1956	5	5	5	−3	5	7	20
	1957	6	14	7.5	8	4	8	17
	1958	3	2 [a]	3	5.5	3	..	−4 [a]
Finland	1956	3	14	5	11	4	4	−1
	1957	1	−3	—	−1	−4	3	10
	1958	−2	−9	−3	−4	−2		−5
France	1956	5	14	6	8	6	20	−8.5
	1957	6	5	6	8.5	6	6	4
	1958	2	—	2	3.5	1	−1.5	3.5
Western Germany	1956	6	12	7	7	9	1	15
	1957	5	19	7	—	5	7	18
	1958	3	7	3.5	4	3	4	3.5
Italy	1956	4	13	5	8	4	5	12
	1957	6	11	6	8	4	2	20
	1958	4	−6 [a]	2	−1	4	3	2 [a]
Netherlands	1956	4	15	8	8	9	2.5	6
	1957	2	4	3	3	−1	−2	6.5
	1958	..	..	..	−10	—	..	..
Norway [b]	1956	4	8	5	2	2	2.5	9
	1957	3	3	3	4	3	4	5
	1958	−1	4	1	6	−1	2	3
Sweden	1956	3	6	4	3	3	5	10
	1957	4	9	5	3	2	3	11
	1958	1.5	−2	1	7	2	4	−2
United Kingdom	1956	2	2	2	4	1	1	6
	1957	2	3	2	4	2	−3	0.5
	1958	−1.5	−1	−1	2.5	2	−1.5	−2.5
Yugoslavia	1956	4	10	4	−2	2	—	28
	1957	22	30	23	30	24	16	18
	1958	3 *	13 [a]	4	11	4	—	14 [a]

Sources and methods : See Appendix B.

[a] Excluding services.

[b] Including maintenance and repairs.

in Austria the resumed expansion was accounted for mainly by dwellings and by public, or publicly determined, investment. In the United Kingdom, on the other hand, the growth of gross fixed investment slowed down very markedly during the year and may come to a halt in 1959.

Dwelling construction not only led the onset of the last boom and was the sector to usher in the later general slackening, but it is once again taking the lead in the incipient revival of economic activity. This indeed conforms to the typical behaviour of dwelling construction during general fluctuations in economic activity, and it reflects both the sensitivity of house-building to changes in credit conditions and the responsiveness of this type of investment to government intervention. As suggested by the indicators shown in Table 2, and also by the increase in unfilled vacancies in the building industry, a sharp upturn in residential construction occurred in a number of countries after the prolonged winter of 1957/58. This was assisted by the easing of capital markets and, in some cases, by direct provision of finance by the public authorities. Investment in dwellings is now probably expanding faster in several countries than either total gross fixed investment or gross national product, and has been running above last year's level

TABLE 2

Dwelling construction in selected European countries

Thousands of dwellings

Country		1957				1958			
		I	II	III	IV	I	II	III	IV
Belgium [a]	Authorizations	9.0	10.8	8.1	6.9	8.3	9.2	7.5	..
	Completions	6.9	8.0	8.2	9.8	6.4	7.3	8.2	..
Denmark	Starts	4.9	6.1	4.6	3.0	3.4	7.0	5.5	..
	Under construction [b]	21.8	23.0	20.8	17.6	16.7	20.2	21.1	..
	Completions	5.1	5.0	6.7	6.2	4.3	3.5	4.6	..
Finland	Authorizations	6.2	8.4	7.9	7.3	4.7	8.0	8.2	..
	Completions	6.4	5.0	8.9	12.5	4.9	4.8	8.5	..
France	Authorizations	77.0	89.2	85.4	82.9	75.2	92.1	81.4	96.8
	Starts	155.0		150.6		147.8		..	..
	Completions	121.0		152.7		132.1		..	..
Western Germany	Authorizations	107.1	131.6	144.1	122.4	104.8	141.3	161.7	141.7
	Completions	54.4	80.8	121.7	236.4	43.0	63.3	114.0	234.2
Ireland	Completions	2.7	2.3	1.8	1.3	1.6	1.3	0.9	..
Italy	Authorizations	61.9	63.2	56.2	67.2	62.6	61.5	59.0	..
	Completions	42.4	43.1	41.6	47.7	41.6	41.2	40.5	..
Netherlands	Authorizations	21.2	21.9	20.4	17.3	13.6	23.0	22.3	18.8
	Starts	23.3	25.3	20.3	15.8	14.6	24.1	25.6	19.2
	Under construction [b]	98.0	101.3	100.5	90.1	84.3	85.2	90.1	84.1
	Completions	19.2	21.9	21.1	26.2	20.1	23.2	20.7	25.0
Norway	Authorizations	4.6	12.9	8.2	5.3	4.8	6.6	7.2	..
	Starts	3.0	10.2	9.9	6.5	3.4	7.0	8.5	..
	Under construction [b]	19.1	23.7	26.9	24.8	22.7	23.4	26.1	..
	Completions	5.9	5.8	6.4	8.4	5.5	6.2	5.8	..
Portugal	Completions	5.0	5.7	6.4	5.9	5.5	7.3	..	..
Spain	Authorizations	17.8	16.2	15.5	14.5	23.2	16.8	23.6	..
	Completions	8.0	6.6	7.6	7.4	7.3	7.1	8.1	..
Sweden	Starts	8.7	15.7	18.6	21.8	5.8	20.6	25.4	..
	Under construction [b]	54.1	57.0	64.2	66.8	58.2	64.7	77.8	..
	Completions	20.6	13.1	11.7	19.1	14.4	14.1	12.3	..
Switzerland [c]	Authorizations	3.2	4.0	4.7	2.5	2.8	4.8	4.9	5.2
	Completions	3.8	5.2	4.6	4.9	3.2	2.2	3.4	3.7
United Kingdom	Starts	64.6	80.8	74.1	61.7	56.8	74.2	66.4	65.8
	Under construction [b]	258.4	261.0	261.5	245.2	235.3	239.7	236.8	229.8
	Completions	77.7	78.2	73.6	78.0	66.7	69.5	69.6	72.8

Sources : National statistics; *Quarterly Bulletin of Housing and Building Statistics*, ECE.

[a] Number of buildings.

[b] End of period.

[c] Forty-two towns.

in recent months in Denmark, western Germany, the Netherlands and Sweden. In the United Kingdom the construction of private housing, which had remained stable since mid-1955, began to rise again in the third quarter. This rise should continue as a result of the easing of credit and mortgage facilities, but it may well be offset by a continued decline in public house-building.

From such evidence as is available, it would appear that, except for coal, accumulation of raw material stocks in western Europe mostly either ceased in 1958 or turned into de-stocking. For finished goods, the situation is less clear-cut. Among the countries for which information is available, investment in stocks and work in progress had virtually stopped in the United Kingdom by the third quarter of 1958, the movement having first affected imported goods and, after recovery in that sector, having then spread to home-produced goods. In western Germany, total stocks continued to increase until the fourth quarter of 1958, but the subsequent decline was more than seasonal. In Austria, de-stocking of raw materials has already ceased; but in the processing industries larger stocks than last year's are still reported and are frequently considered by their holders as excessive. Thus, whereas for western Europe as a whole, de-stocking will probably no longer exert a depressive effect on imports, the impact of reductions in stocks of finished goods on industrial production has not yet come to an end.

The rate of growth of private consumption in 1958 was also lower than in the preceding year, except in Italy, where consumers' expenditure rose at the same rate as in the last three years; and in the United Kingdom, after a period of stability in the first nine months of 1958, private consumption increased in volume in the last quarter, largely reflecting the demand for consumers' durable goods, in response to the abolition of hire purchase restrictions. Money wage bills generally rose more slowly than before, reflecting both stagnating or declining employment and slower increases in money wage rates, but transfer incomes rose substantially in some countries.[2] The trend of real wage bills no longer diverges greatly from that of money wage bills since prices have become more nearly stabilized.

TABLE 3

Retail sales in selected European countries

Percentage increase in volume over corresponding period of previous year

Country and year		Total retail sales [a]				Motor-cars [b]			
		I	II	III	IV	I	II	III	IV
Austria	1957	−2	8	6	2	30	10	−4	13
	1958	5	3	3	1 [c]	11	12	28	11
Denmark	1957	5	10	3	3	14	15	−3	30
	1958	2	−2	4	3 [c]	7	—	5	35 [d]
Finland	1957	2	−6	−8	−11	54	17	−23	−63
	1958	−9	−8	−5	−2 [c]	−43	−45	22	17
France	1957	6	11	10	4	2	3	4	12
	1958	2	−5	−7	— [d]	13	24	9	..
Western Germany	1957	1	10	7	2	7	11	7	23
	1958	6	—	1	2	19	21	29	15
Netherlands	1957	2	1	−1	−6	11	−15	−15	10
	1958	−1	−1	2	2 [c]	—	−26	−11	−18
Norway	1957	2	4	7	−1	..	..	..	..
	1958	1	−3	−5	−4 [c]	..	..	..	..
Sweden	1957	−3	—	2	—	4	13	10	43
	1958	—	−2	−2	..	27	—	−17	−20 [c]
Switzerland	1957	2	10	7	—	1	13	−9	3
	1958	3	—	−1	1 [c]	13	−3	3	−1
United Kingdom	1957	3	5	1	2	−32	1	35	46
	1958	2	−1	1	4	75	25	10	21 [c]

Sources : National statistics.
[a] Excluding motor-cars.
[b] Based on new registrations.
[c] October-November.
[d] October.

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[2] In western Germany, on the contrary, the increase in wages and salaries speeded up in the course of the year, whereas the rate of increase in transfer incomes declined very markedly after the first quarter of 1958 as the first impact of the pension reform wore off. The net effect has been a stabilization of total personal incomes since the second quarter of 1958.

In the absence of quarterly data on consumers' expenditure for the majority of countries, retail sales have to be used as an — admittedly inadequate — indicator of changes within the year 1958. Since they do not include expenditure on services or other consumption not passing through the retail network, they almost certainly understate the increase in consumption which has taken place, as the latter sectors are generally less volatile than are purchases of commodities. As can be seen from Table 3, there was either no further increase in the volume of retail sales in the course of 1958 or the expansion slowed down, in all countries but Denmark, the Netherlands and the United Kingdom. Almost everywhere there was a further shift of expenditure away from textiles and clothing and towards household durable goods, and sales of motor-cars (not included in the index) continued to rise rapidly except in the Netherlands and Sweden, where new registrations declined.

The moderate stimulus to output provided by public expenditure, which will probably become more marked in 1959, is discussed in section 2 below.

Industrial output

Total western European industrial production declined slightly in the course of 1958. In the first nine months it remained fractionally above the corresponding level of 1957; but between 1956 and 1957 the rate of increase had been 5½ per cent (see Table 4). As can be seen from Chart 1, the experience of different countries varied greatly. Thus, Yugoslavia registered the highest rate of industrial growth (almost 11 per cent) although this fell far short of the 17 per cent increase between 1956 and 1957. In France industrial production has remained well above the early 1957 level but has shown a slightly declining trend since the middle of 1958, while moderate rates of growth were maintained in Austria, western Germany and Italy. In Sweden and Denmark industrial output stagnated, and it declined in Belgium, Finland, the Netherlands, Norway and the United Kingdom, the falls being sharpest in Belgium and Finland.

But in the course of the year certain improvements appeared on the industrial scene. In Belgium and Finland the decline in production came to a halt, and in Denmark and the Netherlands it was reversed. In western Germany and Austria a renewed increase at the beginning of 1958 superseded the previous slackening of the rate of growth. In the United Kingdom, the decline was arrested by the end of the year, though it would be premature to conclude that it has now been reversed.

Chart 1 brings out certain common, and some divergent, experiences among countries in the behaviour of output of different industrial sectors between 1957 and 1958. The sectors which suffered universal, and often severe, setbacks were coal, iron and steel, textiles, clothing and leather and shoes; and output of machinery declined in most countries. The expanding sectors were transport equipment (mainly motor-cars), chemicals and food.

TABLE 4

Industrial production in western Europe

Index numbers (1953=100), seasonally adjusted

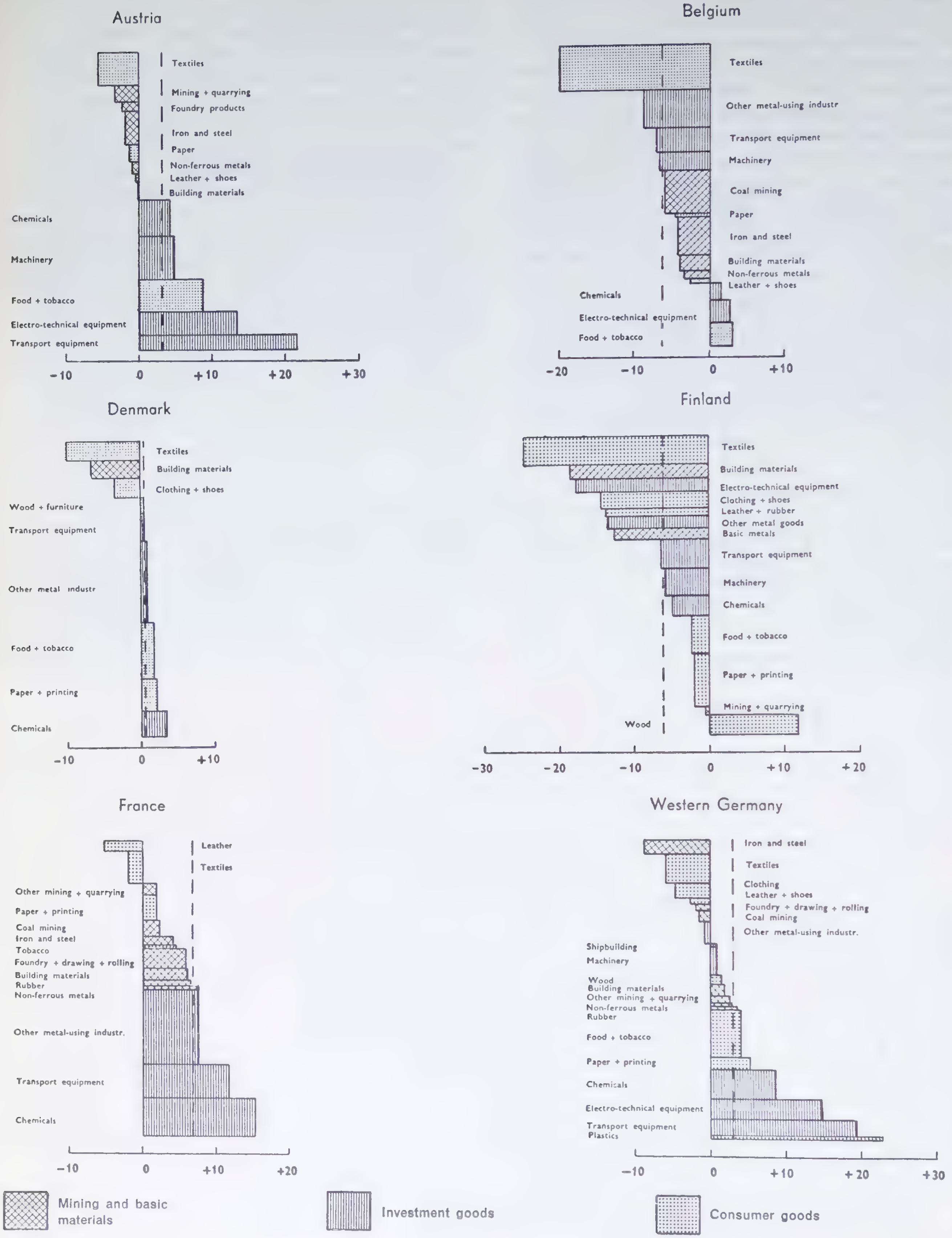
Country	1955	1956	1957	1957				1958			
				I	II	III	IV	I	II	III	IV
Austria	133	138	146	144	146	146	147	153	149	151	149 [a]
Belgium	116	123	123 [b]	127	125 [b]	117 [b]	121	120	113	115	113
Denmark	111	113	117	120	119	115	114	118	117	116	120 [a]
Finland	127	130 [b]	134	144	134	135	124	131	125	129	128 [a]
France	120	133	145	141	143	144	152	155	156	150	154
Western Germany	128	138	147	146	148	146	146	152	151	151	151
Italy	120	128	136	136	138	139	138	139	138	141	144 [a]
Netherlands	118	123	126	130	127	126	121	125	126	128	126
Norway	117	122	126	123	128	128	126	118	123	123	127
Sweden	111	115	119	118	120	121	119	121	120	120	117 [a]
United Kingdom	114	114	116	116	116	116	117	117	114	112	115 [a]
Yugoslavia	132	146	171	158	170	169	184	182	188	182	201 [a]
Total of countries listed	120	127	134	133	134	133	135	137	136	135	137 [a]

Sources : National statistics. [a] October-November [b] Figures affected by strikes.

NOTE.—Factors for correction of seasonal fluctuations have been taken from *Definitions and Methods, I, Indices of Industrial Production*, OEEC, Paris, except for Finland and Yugoslavia, where adjustments have been made by the secretariat.

CHART

Percentage change in industrial production by sectors in



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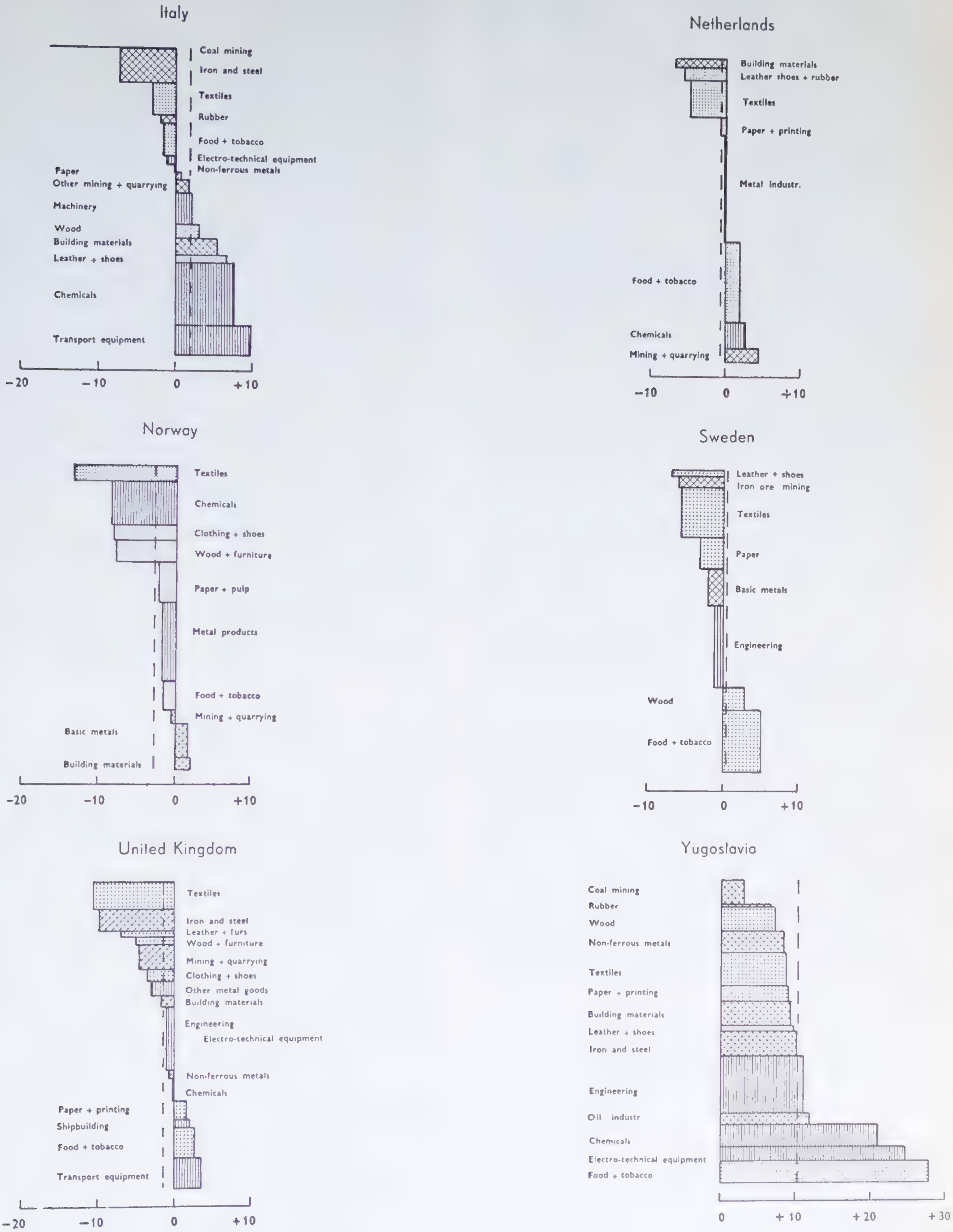
selected western European countries from 1957 to 1958



Source : National statistics.

NOTE. — The vertical broken line indicates the change in total industrial production. The height of the blocks represents the share of each sector in total industrial production in 1957.

The trend of output of building materials differed from country to country, depending on the extent and timing of the recovery of housing construction and the stock situation at the onset of the revival; but there was an upturn in the course of 1958 in the majority of countries. Yugoslavia was in a special position, in that output increased substantially in all industrial sectors.

In the coal industry, as has been frequently pointed out, the accumulation of pithead stocks — which reached 45 million tons at the end of 1958, or one and a half times their level twelve months earlier — was due to a combination of factors: the slackening of economic activity, exceptional climatic conditions, the previous accumulation of consumers' stocks during and immediately after the Suez crisis, the long-term contracts for coal imports from the United States concluded at a time of scarcity, and rising competition from oil.

The stock problem is relatively most acute in Belgium, where short-time working was instituted in 1958 leading to a reduction of output by about 2 million tons, and a series of measures have been announced to deal with it. Imports are to be curtailed in 1959, subsidies are to be progressively reduced and will be totally abolished by 1963, and prices of certain qualities are to be cut. It is expected that a number of pits will have to close down, but an investment programme in the regions affected will help to offset the consequent unemployment. In the United Kingdom producers' stocks of coal more than doubled between the end of 1957 and the end of 1958, and a further 3 million tons are expected to accumulate in 1959, raising the total to 22 million tons: this is considered the maximum physical and financial level. A cut in output by 6 million (long) tons from the 209 million tons originally foreseen is to be achieved by a reduction in opencast mining and by expediting closures of uneconomic pits. In western Germany, where demand has fallen sharply, the reduction in imports and the recent rise in exports did not succeed in checking stock accumulation. Furthermore, output had only begun to decline below its 1957 level in the fourth quarter of 1958; and there are no indications, at present, that demand for coal will revive substantially in the near future.[3]

In general, the view is increasingly held that the difficulties facing the coal industry may not be entirely resolved by a revival of economic expansion in western Europe, and that longer-term efforts are needed to reduce production costs and to devise policies to expand output of the right qualities in places where this can be done most economically.

The difficulties confronting the steel industry must be ascribed as much, or more, to reductions of merchants' and consumers' stocks and of stocks of components by the engineering industry as to a decline in current consumption. Output in western Europe in the first eleven months of 1958 was about 5 per cent below that of the corresponding period of 1957; but for the three months of September to November the fall was as much as 11 per cent. The United Kingdom, western Germany and Belgium were particularly severely affected,[4] but in the last-mentioned country the decline had already started in 1957. In the United Kingdom it is expected that by the middle of 1959 stock reductions will cease to have an effect on output; and in western Germany it is likely that the now rapid stock liquidation may come to an end rather earlier. However, the extent and pace of the longer-term recovery of steel output will depend on the, probably very divergent, behaviour of the main steel-using industries — motor-cars, consumers' durable goods, machinery, railways, shipbuilding and construction — as well as on export prospects. In general, construction and perhaps motor-cars, some consumers' durable goods and, in a very few countries, machinery, may be expected to provide the main support to steel production in the near future, whereas the delayed effect of the fall in freight rates is now showing in the smaller tonnage of ships under construction.

Wages and Prices

Labour market conditions during 1958 reflect the earlier stagnation or decline in industrial output and also the recent resumption of expansion (see Appendix Table VIII and Chart 2). But changes in employment were smaller than those in output, reflecting either the tendency to hoard labour, or decreases in output per man. Even in the United Kingdom, where industrial production had stagnated since the end of 1955, employment declined less than output in the twelve months ending in the third quarter of 1958, which would suggest that labour hoarding continued. Unfilled vacancies were fewer and unemployment greater in 1958 than in 1957 in all countries except western Germany (ignoring the high winter unemployment in the building sector early in 1958). The unemployment ratio was substantially above that of 1957 in Belgium, Finland, France, the Netherlands, Norway and the United Kingdom; but nowhere, except in the countries where there is structural unemployment — Belgium, Denmark, Finland and Italy —

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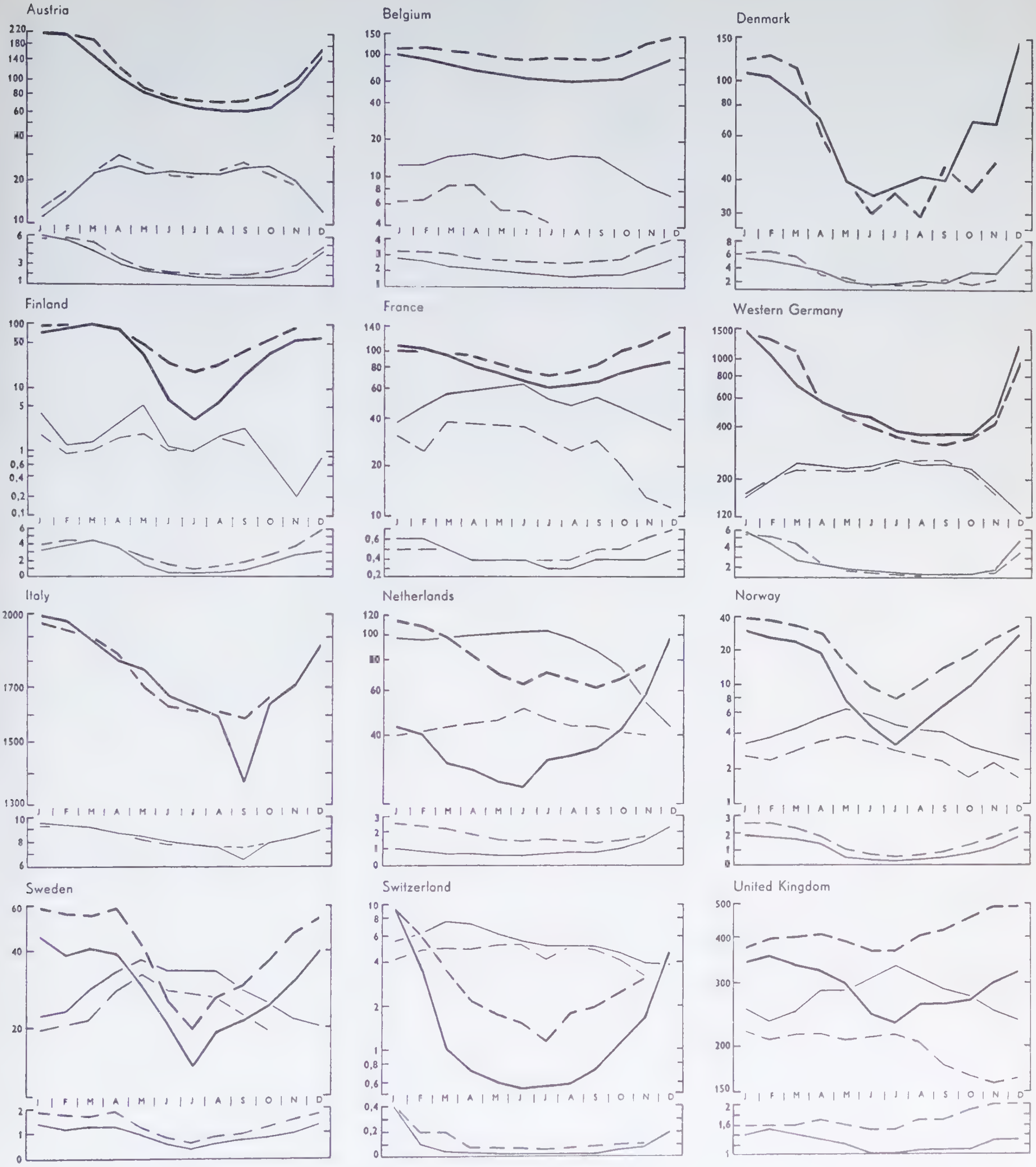
[3] An import duty of DM 20 per ton was imposed early in 1959 on coal coming from outside the European Coal and Steel Community. Exemption will be granted on half of the average annual coal imports from 1950 to 1958 from each country concerned. It is hoped that imports above the duty-free amounts will be thus prevented. This would involve a reduction of coal imports by over 8 million tons.

[4] The corresponding percentage declines were almost 7 and over 18 for the United Kingdom and 12 and 20 for western Germany.

CHART 2

Total unemployment and unfilled vacancies (in thousands) and unemployment ratios (percentages of active labour force)



Total unemployment { 1957 ——— 1958 — — —

Total unfilled vacancies and unemployment ratios { 1957 ——— 1958 – – – –

Sources : National statistics.

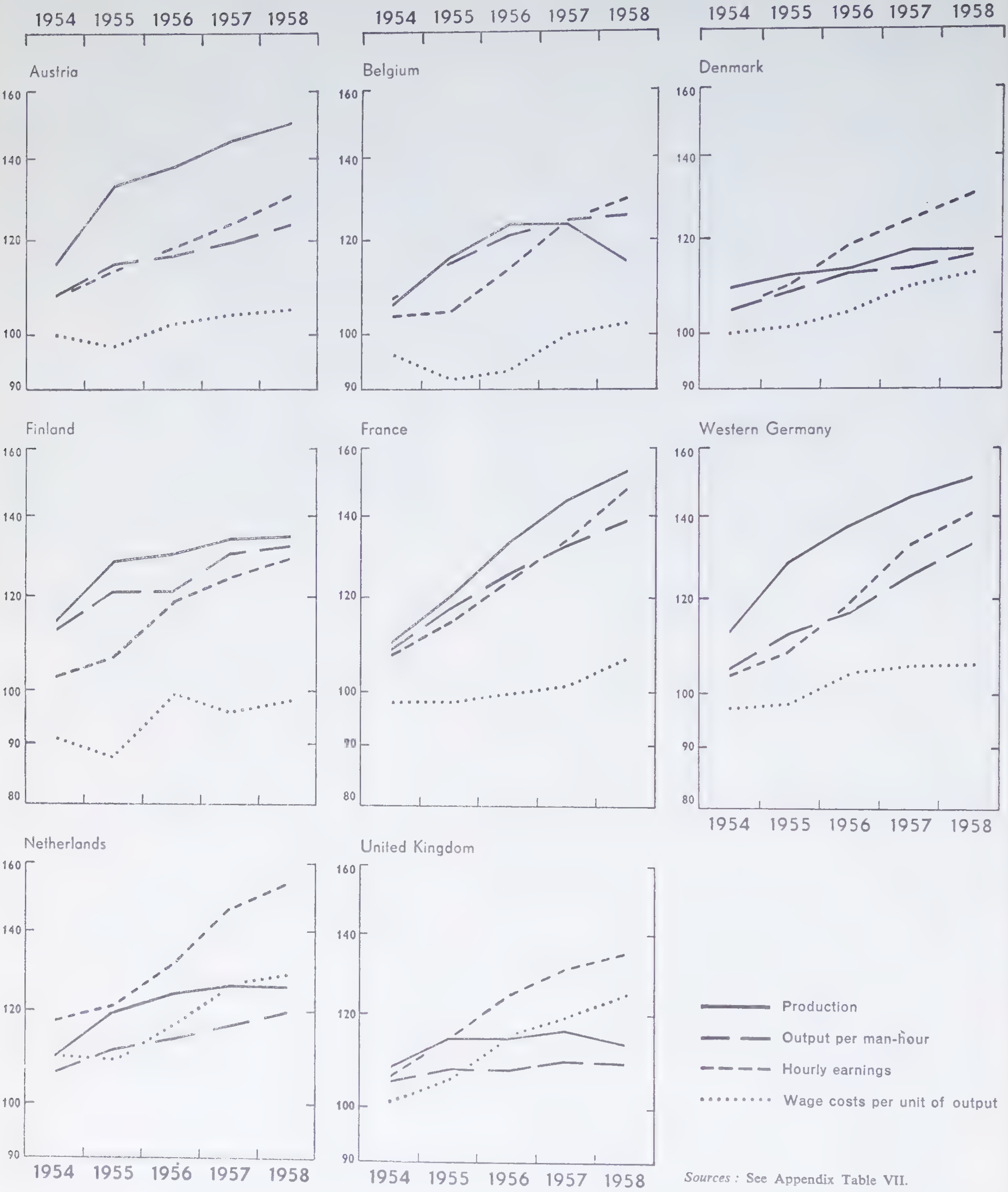
NOTE. — The upper part of each chart shows unemployment and unfilled vacancies on semi-logarithmic scale, the lower part the ratio of unemployment on arithmetic scale.

CHART 3

Production, output per man-hour, earnings and wage costs in industry

1953 = 100

Semi-logarithmic scale



Sources : See Appendix Table VII.

has it reached serious proportions on the average, though important regional pockets exist.

The easing of labour market conditions which had started earlier did eventually result in a slowing down of wage increases in most countries during 1958 (see Chart 3). This was the outcome both of more moderate wage demands by trade unions and of the virtual elimination of the wage drift. However, although this development is often regarded as one of the major achievements of contractionary policies, the behaviour of wage costs was not everywhere equally satisfactory. It was only in countries where economic expansion continued that increases in productivity contributed to slowing down the rise of wage costs. Thus, in Austria and western Germany, where the rise in money wages even speeded up somewhat between 1957 and 1958, the increase in wage costs per unit of output slowed down markedly in 1958. On the other hand, unit wage costs rose more between 1957 and 1958 than in the preceding year in the United Kingdom, despite the substantially smaller wage increases which accompanied the recession; and in Finland there was also an accelerated rise in unit wage costs since the slower growth of productivity more than offset the smaller rate of increase of money earnings.

It would thus appear that to initiate or reinforce a downturn or stagnation of output, with a check to cost inflation as one objective, can have the adverse effect of accelerating the rise of wage costs if the under-utilization of labour and capacity results in a loss of potential increments of productivity. However, if a moderate expansion is resumed, it may well, in its early stages, involve no further rise in unit wage costs. Moreover, the fact that industrial expansion

TABLE 5

Prices in selected western European countries

Percentage changes

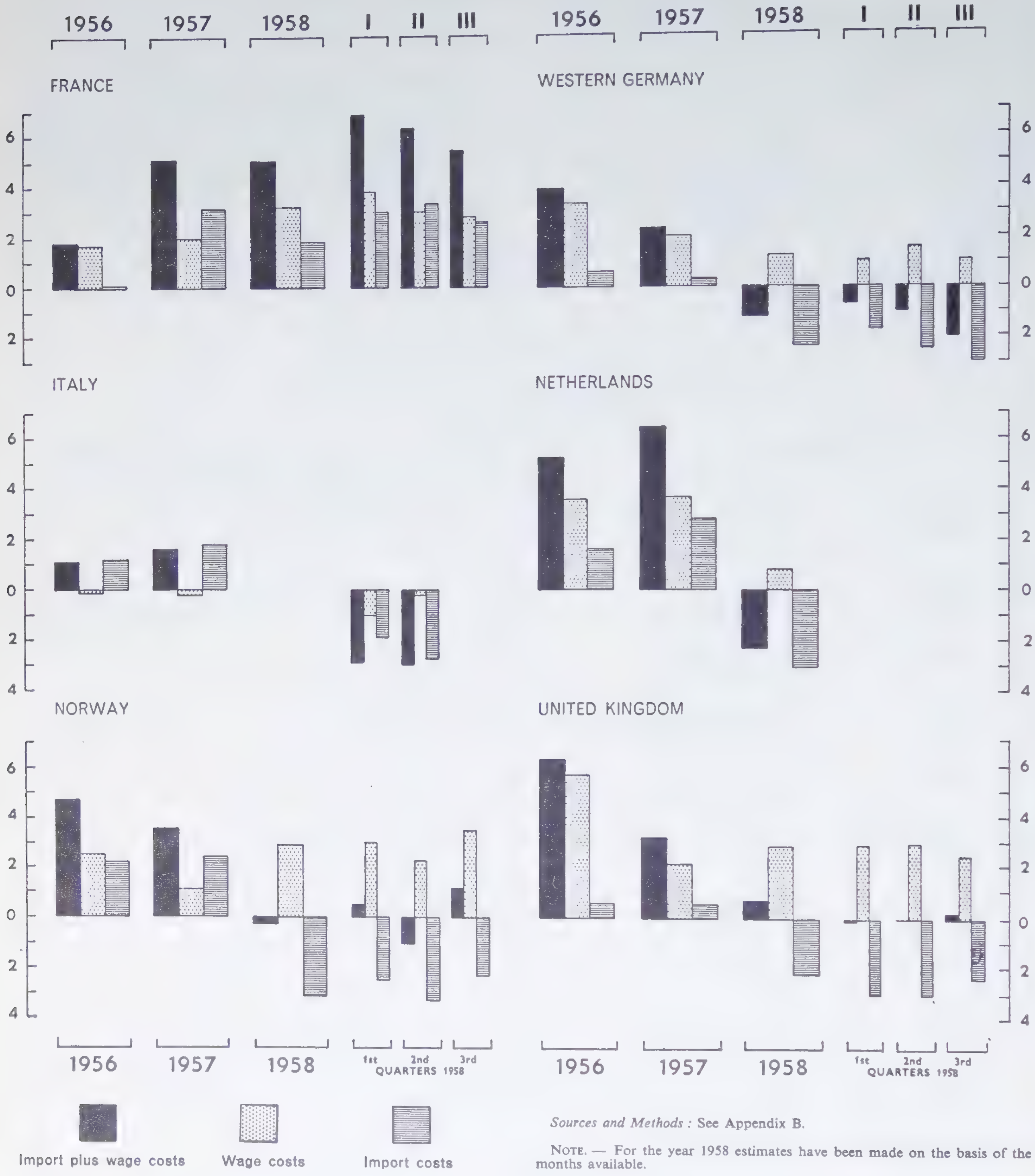
		Dec. 1955 to Dec. 1956	Dec. 1956 to Dec. 1957	Dec. 1957 to March 1958	March 1958 to June 1958	June 1958 to Sept. 1958	Sept. 1958 to Dec. 1958
Austria	Wholesale prices	7.3	−1.9	0.1	−0.6	−0.6	1.9
	Consumers' prices	2.9	2.3	2.9	−1.0	−2.8	2.6
Belgium	Wholesale prices	5.0	−0.8	−2.5	−2.4	0.1	2.2
	Consumers' prices	2.9	3.8	−0.9	0.5	−0.4	0.6
Denmark	Wholesale prices	4.0	−2.9	—	—	—	—
	Consumers' prices	3.1	0.4	0.3	−0.2	1.1	1.1
Finland	Wholesale prices	9.1	13.8	0.8	−0.1	−2.4	0.8
	Consumers' prices	16.8	8.5	1.6	1.5	—	0.8
France	Wholesale prices	4.8	13.9	1.2	0.8	−1.0	0.4
	Consumers' prices	1.2	10.1	5.9	1.4	1.0	0.3
Western Germany	Wholesale prices	3.3	0.8	0.8	−0.8	—	—
	Consumers' prices	1.8	3.5	0.8	—	−0.9	0.8
Italy	Wholesale prices	3.3	−1.3	−1.2	0.1	−1.4	−1.7
	Consumers' prices	4.2	3.7	0.7	3.3	−1.0	−1.8
Netherlands	Wholesale prices	5.1	−0.7	−0.7	−1.4	−2.2	4.4
	Consumers' prices	3.7	11.7	0.8	—	−2.4	0.9
Norway	Wholesale prices	5.7	—	−0.9	—	0.9	−0.9
	Consumers' prices	4.9	2.0	1.3	3.2	1.9	—
Sweden	Wholesale prices	2.1	−0.7	−0.7	−0.7	−0.7	0.7
	Consumers' prices	3.6	4.2	2.0	0.7	—	—
Switzerland	Wholesale prices	4.5	−1.3	−1.5	−1.1	−0.7	−0.6
	Consumers' prices	2.2	2.0	−0.3	1.1	0.3	−0.2
United Kingdom	Wholesale prices	4.4	3.8	0.1	−0.4	—	—
	Consumers' prices	3.0	4.6	0.2	1.7	−1.6	1.7

Source : National statistics.

CHART 4

Changes in import costs and wage costs in industry

Percentage changes over corresponding period of previous year, weighted according to share of imports and of wage and salary bills in gross value of industrial output



Sources and Methods : See Appendix B.

NOTE. — For the year 1958 estimates have been made on the basis of the months available.

could go some way without any substantial increase in demand for labour or in employment, simply by exploiting the potential already existing for increases in productivity, suggests that no acceleration of the rise of money wage rates is likely in the early phases.

The slower rise in prices in 1958 than in preceding years, and the actual stabilization in some countries (see Table 5), must be ascribed as much, or in some instances more, to the effect on final domestic prices of the decline in import prices than to a slower rise in wage costs. The contributions of changes in labour costs and changes in import prices to changes in final prices of industrial output are illustrated in Chart 4 for those countries for which the relevant data are available.[5] It will be seen that in the United Kingdom, where unit wage costs rose as rapidly in 1958 as in 1957, the recent virtual stability of domestic prices was probably due entirely to the decline in import prices, since total property incomes also continued to rise.[6] In Norway the rate of increase in wage costs per unit of output speeded up in 1958 and the internal price stability achieved, at a level lower than in 1957, was certainly largely due to the decline in import prices, though there may possibly have been a fall in other costs also. In France the rise in wage costs accelerated in 1958, and the domestic prices of imports also rose as a result of the devaluation in August 1957: the combined effect was to raise final prices of domestic output very substantially. In western Germany, on the other hand, both the stabilization of wage costs and the decline of import prices contributed to internal price stability; and in the Netherlands the joint effect of a sharp decline in the rate of increase of labour costs and a fall in import prices resulted in domestic prices falling in 1958 to below the 1957 level.

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[5] The weights used to assess the relative contributions of import prices and wage costs to prices of the final product of industry (mining, manufacturing and public utilities) have been derived from the total import and wage bills of this sector as given in the input-output tables of the various countries. They do not refer to the cumulated import or wage content of the final output of the sector. Other cost elements, not accounted for here, are inputs from other sectors (agriculture, transport, trade and services), gross profits and taxes on expenditure. The series given for labour costs and for import prices (which refer to unit values of total imports) must therefore be considered as crude indicators only.

[6] The rise in the total wage bill in 1958 was about £250 million less than in 1957, but import prices, which rose slightly between 1956 and 1957, fell sharply in the following year. The gain from this change was of the order of £400 million.

2. Recent Policies and Short-term Prospects

The limited measures taken so far by governments cannot be expected to have a rapid or deep impact on economic activity, nor were they intended to do so. In addition to the delays in establishing the diagnosis and reaching the decision to act, monetary measures, whether of restriction or of relaxation, normally take several months — even up to a year or more — to produce their full effects. At the present time, the influence of previous restrictions will only slowly be reversed by the new expansionary measures. These are generally rather moderate, and the more moderate the measures applied the longer it takes to reverse the previous trend, not only because gradual and small steps towards a reversal of earlier policies prolong the period during which entrepreneurs remain in a state of uncertainty both about government intentions and about demand prospects, but also because they are encouraged to wait for more favourable conditions as long as the adequacy of government policies for their stated purpose remains in doubt.

The cautiousness displayed by governments throughout 1958 finds its explanation mainly in the following considerations. First of all, the diagnosis as to whether the stagnation was going to give way to a general downturn of western European economic activity was difficult to make since personal incomes and consumption and, in some countries, also investment continued to grow moderately. Secondly, there was apprehension that expansionist measures might threaten the recently achieved price stability, which was one of the main aims of contractionary policies. This fear was heightened by the continuing tendency of wages to rise more rapidly than productivity in some countries, even though the rate of increase of money earnings had slowed down considerably. Moreover, it seems to have been little appreciated that part of the benefit derived from the slowing-down of wage increases was lost in some countries through the simultaneous slowing-down of the growth of productivity, or even — as in the United Kingdom — through a decline in productivity connected with a stagnation or fall in output. Finally, in the early part of 1958 it was widely feared that the recession in the United States might lead to a renewal of the dollar shortage, which would have narrowed the international margin of western European countries for expansionary policies. Although these fears proved unfounded and foreign exchange holdings are now generally sufficient to support expansion, several countries in a vulnerable balance-of-payments position were reluctant to introduce more definitely expansive measures if they were to act in isolation. It was against this background that the OEEC Council, at the end of July 1958, recommended to member governments that they should pursue policies encouraging sustainable economic growth while guarding against the renewal of inflationary pressures and balance-of-payments difficulties.

The principal factor operating to revive economic activity has so far been the easing of conditions in money and capital markets. Though this development has been assisted by reductions in central bank discount rates and other policy measures, it has primarily been the automatic effect of the growth of foreign-exchange reserves and of the declining demand for finance consequent upon the weakening of economic activity. In almost all western European countries long-term interest rates reached their highest levels and started to fall in late 1957 — that is, in general, before governments and monetary authorities were prepared to adopt deliberately expansionary policies.

It may further be noted that in eight out of ten countries for which adequate data are available, share prices started to rise simultaneously with, or at most four months after, long-term interest rates reached their highest level. The rise in share prices in most countries, at a time when total activity was still weakening, testifies to the confidence of the market in the maintenance of economic expansion over the longer run — and probably also to the expectation of continuing cost and price inflation.

During 1958 the spontaneous easing of credit conditions was in most countries supported and supplemented by policy measures. These included reductions in central bank discount rates; the removal or relaxation of earlier measures to ration credit (both such general restraints as over-all ceilings for bank advances and the more selective measures such as restrictions on hire-purchase credit); and the introduction of additional credit facilities in selected fields, particularly for the financing of dwelling construction and of exports. In one country — the Netherlands — selective stimuli to expansion were combined with repeated increases in the compulsory minimum reserves of the commercial banks in order to limit the impact of rapidly increasing foreign-exchange reserves on bank liquidity.

In general, the construction of dwellings proved responsive to the lowering of long-term interest rates and to the special measures taken in some countries to raise activity in this field. The mere lowering of interest rates and the more ample supply of credit could not be expected to suffice by themselves to induce a quick revival of demand for industrial investment, except perhaps for replacement and modernization or for long-maturing projects intended to meet growing final demand in the more distant future. Existing excess capacity and the uncertain prospects for a growth of final demand were reinforced, in their effect on investment, by shrinking profit margins in many countries as selling prices were kept under pressure from still receding domestic demand and keener international competition.

Bank advances to the private sector in fact showed only small changes in the course of 1958 despite the more favourable conditions for borrowing. They increased in western Germany and Austria, where the forces of expansion continued to sustain the demand for credit, even though in Austria there was no credit relaxation comparable with that in other countries. Outstanding credit continued to rise in those two countries, particularly for housebuilding, and in Austria this more than balanced a slight decrease in advances to industry. In the United Kingdom the lifting in July of restrictions on bank advances, and later of restrictions on hire-purchase credit, was followed by a significant increase in bank advances after a three-year period of virtual stability. The major part of this increase was accounted for by personal loans and loans to retail trade and hire-purchase institutions. In France, where the volume of total bank credit to industry and trade had been about stable since the middle of 1957, while advances for housebuilding and to some sectors of industry continued to rise slowly, further comprehensive measures to restrain domestic demand were instituted to support the devaluation in December 1958.

The more selective measures applied by a number of countries in 1958 took the form of increases in public expenditure, the provision of additional finance for housebuilding and fiscal stimuli to investment; and they were intended, in some cases, rather to check the rise in unemployment in particular areas or industries than to raise over-all demand and output.

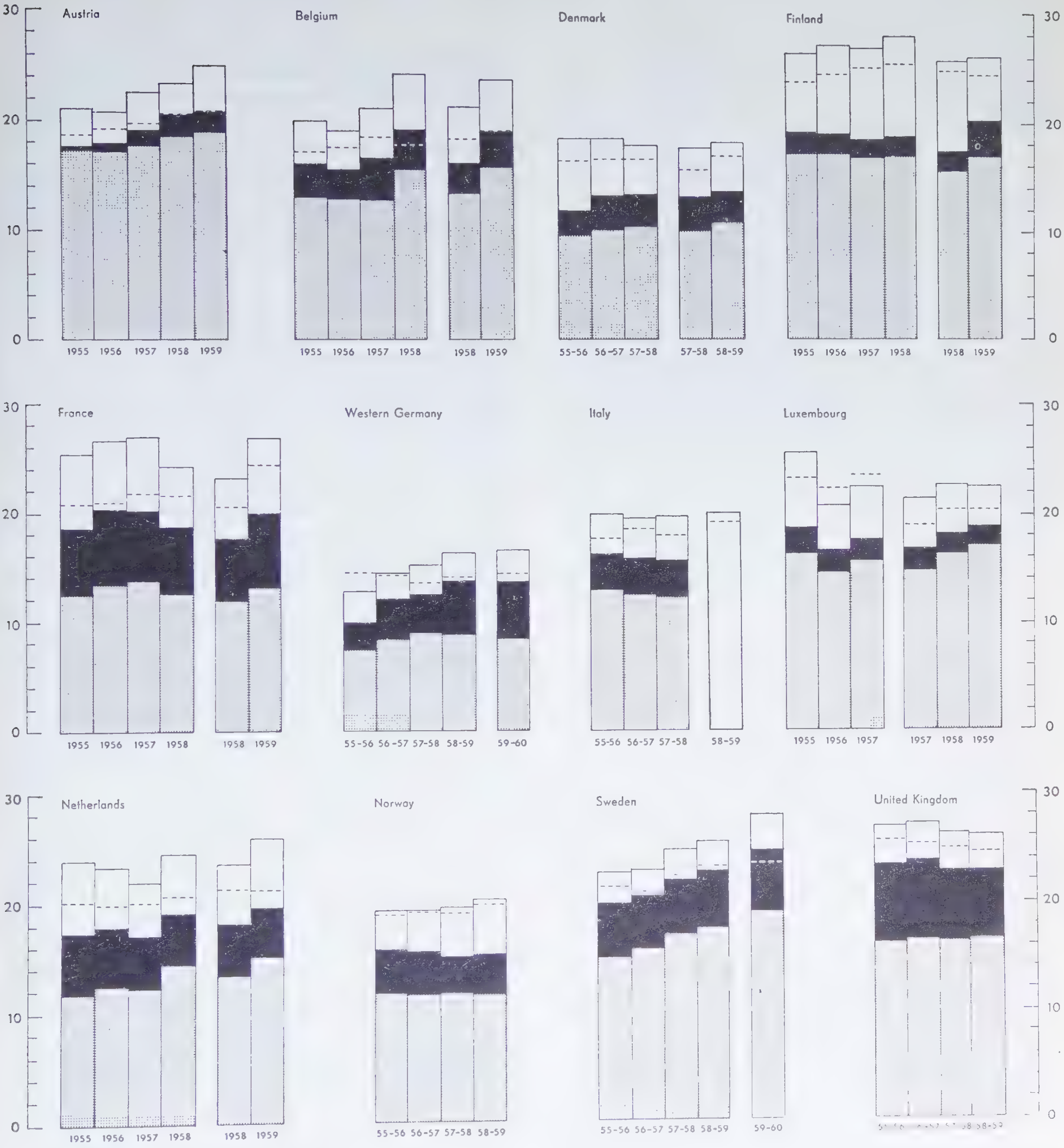
In the United Kingdom, where private consumption had been stable during the first nine months of 1958, this was a sector also selected for stimulus as a means of gradually lifting the economy out of the recession; and the tax reductions and transfer payments in western Germany also tended to raise consumers' incomes and outlays. Measures taken in other countries, however, were mostly confined to the encouragement of dwelling construction, to public investment and, in some cases, to export promotion. Few governments attempted to provide any direct new incentive to industrial investment. Thus, the initial depreciation allowance was raised in the United Kingdom and in the Netherlands, but the stimulus thereby provided was relatively moderate; control over capital issues was relaxed in the United Kingdom and Norway; and in Sweden, where the 1955 investment tax had been removed at the end of 1957, blocked investment funds were released in July 1958.

Whereas central government budgets had played a role in stimulating expansion in the early stages of the boom, they were in general little used as a means of damping down aggregate expenditure at the time

CHART 5

Central government total expenditure and current revenue from 1955 to 1959

Percentages of gross national product



■ Expenditure on defence

▨ Current civil expenditure

☐ Non-current expenditure

- - - - Level of current revenue

Sources: See Appendix B

NOTE. — In the case of countries where budget proposals for 1959 cannot be compared directly with revised budgetary figures for 1958, proposals for 1959 are compared with the original proposals for 1958.

Data for 1958 and 1959 are expressed as percentages of gross national product in 1958.

The data shown in the table are based on budgetary figures which, by definition, do not conform to national accounting concepts. For further details, see Appendix B.

when demand pressures developed; and rising public demand competed, during the boom, with the private sector of the economy. As noted in a previous *Economic Bulletin for Europe*,[7] budgets tended in many cases to exert an expansive or a neutral influence on total demand in the first half of 1958 as a result of increases in transfer incomes, some additions to long-financed expenditure, tax reductions and also a shortfall of revenues below expectations due to the stagnation of economic activity. As can be seen from Chart 5,[8] public expenditure increased in 1958, and deficits were in general allowed to grow somewhat,[9] except in France. The increased liquidity of the money and capital markets and lower interest rates facilitated the financing of government expenditure; and this proved of some importance, particularly in Austria, Belgium, Finland, the Netherlands, Sweden and western Germany. It would appear from the data available that the greater part of the increase in public expenditure in 1958 was in most countries accounted for by larger public consumption for civilian purposes and higher transfer payments, to some extent the automatic consequence of heavier unemployment. A relatively small increase appears to have taken place in public investment also. Data on budgets for 1959, on the other hand, suggest that such increases as are expected in public expenditure in 1959 will be largely accounted for by public investment.[10]

The Prospects for Individual Countries

The United Kingdom

At the close of 1958 unemployment in the United Kingdom, at 2.4 per cent of the labour force, had exceeded the maximum reached in the 1952 recession and was the highest since the fuel crisis of 1947. The gradual decline in industrial production in 1958 appears to have been due mainly to falling export demand and a lower rate of stock accumulation. The volume of exports began to decline by the fourth quarter of 1957 and showed an accelerated fall in the late spring and summer of 1958, but has since been falling more slowly. Over 1958 as a whole the volume of exports was about 3 per cent lower than in the previous year, while imports were virtually stable; and, as has been noted in section 1, de-stocking of raw materials and fuel, combined with the cessation of stock-building of finished goods by the third quarter of 1958, was the other major depressing influence in the economy.[11]

The maintenance or slight rise of demand in other sectors — except public consumption — did not fully offset the impact on industrial output of the movement of stocks and exports, but has nevertheless sufficed to keep aggregate demand and gross domestic product almost constant. In the first three quarters of 1958 private consumption was slightly less than 2 per cent above the corresponding 1957 volume. Gross fixed investment was 2½ per cent higher — a decline in residential, especially public, construction being more than offset by a rise in non-residential investment. But whereas private investment, particularly in manufacturing, has entered a period of stagnation or contraction, public investment (notwithstanding the fall in the third quarter of 1958 below the 1957 level) should be on a steady upward path in the coming two years.

Confronted with the increasing evidence — from unemployment, short-time working, order books and output — that a slight recession was facing the economy, the Government introduced a series of measures during the course of the year designed to prevent its deepening or to provide a moderate stimulus to recovery.[12] The latest (since October) have ~~included the~~ total abolition of hire-purchase restrictions, assistance for house purchase, the restoration of former cuts in public investment and (early in February) the almost complete abolition of controls over domestic capital issues. But because of the limited scope of these and earlier measures and their inevitably delayed impact on production, it is doubtful whether any but the relaxations of hire-purchase restrictions can be held to have contributed significantly to the recent halt to the recession. However, that is not to say that such stimuli as have been provided by government policy were unnecessary. Even if the bottom of the recession has been reached, the chances of a quick upturn as a result of purely autonomous influences seem small.

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[7] Vol. 10, No. 1, pp. 22-26.

[8] The chart presents only central government accounts and leaves out the operations of local authorities.

[9] The inadequacy of the sources available at the time of writing concerning budget results in 1958 precludes the presentation for more than a few countries of more details than are shown in the chart. A more meaningful break-down of government expenditure based on national accounting criteria, such as appeared on p. 25 of the *Economic Bulletin for Europe*, Vol. 10, No. 1, will not be available for several months.

[10] A direct comparison of the prospective budget results for 1958 and the draft or voted budgets for 1959 under-states the likely increases in central government expenditure — when it does not show a decrease — between the two years, due to the fact that in some countries additional credits are traditionally requested in the course of the year or because the balanced-budget convention leads to a conscious under-statement of prospective expenditure. The comparison of budget proposals for 1958 and 1959 gives a more realistic indication of the probable trend of public expenditure.

[11] In the first nine months of 1958 the reduction in the rate of stockbuilding over the same period of 1957 was due for two-thirds to changes in stocks of home-produced goods and work in progress and one-third to changes in stocks of imported goods, the former, of course, affecting domestic output more directly (see *Economic Trends*, H.M.S.O., London, January 1959).

[12] The principal measures taken at various intervals were: the removal of the ceiling on bank advances to the private sector, an increase by half of the initial depreciation allowance for investment, Treasury assistance for the establishment of industries in areas with a persistently high rate of unemployment, less stringent control of capital issues, and greater (and cheaper) facilities for lending to the Commonwealth. Bank rate was progressively reduced from the crisis rate of 7 per cent in September 1957 to 4½ per cent by August 1958 and 4 per cent by November.

The evidence that the recession may go no deeper includes, first, the slight revival of industrial production at the end of the year; but this has probably reflected a higher expenditure on consumers' goods which may not be lasting, since it was connected with the abolition of hire-purchase restrictions. Secondly, the trend of exports appears to have improved since the third quarter, and in the last quarter imports rose by about 5 per cent in volume over the 1957 level. This might indicate an end of de-stocking of imported materials and possibly a more optimistic assessment of future demand by producers, even though some special factors affected the December import figures. Thirdly, bank advances rose sharply between August and November, following the end of the credit squeeze — a movement against the normal seasonal trend. Though the largest increases were probably for personal consumption (hire-purchase and personal and professional loans), industry, especially engineering, also increased its bank accommodation. Finally, the two latest inquiries of the Federation of British Industries showed entrepreneurs to be somewhat less pessimistic than previously and, for the first time in a year, the number of firms reporting an increase in the rate of new orders exceeded in January 1959 (though by a small margin) the number reporting a decrease.

Looking ahead, there seems little reason to expect a significant further improvement in the near future, in the absence of additional official encouragement in the April budget. Even though the impact of lower commodity prices on overseas demand has had a less serious effect on British exports than was feared, and even if a continued favourable market in the United States and some improvement in exports to western Europe are assumed, it would seem optimistic to expect the volume of exports in 1959 to do more than gradually recover its 1957 level. Fixed investment in the private sector will probably at best only reach last year's level: at the end of 1958 manufacturers foresaw a fall of some 10 per cent in their 1959 investment outlays from their expected 1958 level; but expected increases in other private business investment should largely make up for this.[13] Housebuilding may show little change in total, slightly higher private building offsetting a reduction in public building. Total fixed investment may therefore rise a little as a result of increases announced in public investment programmes, provided there are no undue delays in transforming plans into orders and employment. On present evidence, there is no reason to presume that government current expenditure in real terms will show any sizeable increase over the 1958 rate.

The course of private consumption is bound up with the development of wages and prices. On the basis of wage awards in recent months, consumers' purchasing power in 1959 can be expected to be somewhat higher than in the past year, perhaps by some 3 per cent. Although labour costs per unit of output might be reduced by any rise in productivity resulting from an expansion of output, there is little ground for presuming that the cost-of-living index during 1959 will rise by much less than the 2 per cent registered in 1958; so that, barring a change in the personal savings function, consumers' expenditure in real terms seems unlikely to rise by more than the 1 to 2 per cent average annual increase of the last three years.

The sum of these probable changes in final demands makes for only a modest aggregate increase over the 1958 level. Greater uncertainty naturally attaches to stock changes, but although there is some evidence that the contractionary effects of stock movements (except for steel) may have largely worked themselves out by the end of 1958, any substantial new accumulation in 1959 is problematical.

Western Germany

In western Germany official estimates of the real rate of growth of gross national product, presented to the OEEC,[14] were not fully confirmed by events. The actual increase for the year 1958 above the level of 1957 would now appear to have been 2½ per cent as against an estimated 3 to 3½ per cent; but the rate of expansion speeded up somewhat in the second half of the year, with investment expenditure contributing most to the expansion. The major part of the rise in investment was accounted for by dwellings and machinery, the latter notably in the building industry, agriculture, services and the investment-goods industries themselves. The speeding up of investment was certainly stimulated by the revival of the capital market, in turn the outcome not only of the continued increase in liquidity, but also of a higher personal savings ratio and of the fact that savings found their way increasingly to the capital market. Thus, long-term interest rates declined sharply from the second quarter of 1957 to the last quarter of 1958, and the third cut in the discount rate within twelve months was announced in January 1959. The rate of growth of private consumption, on the other hand, continued to level off during 1958. Although the rise of wage and salary incomes accelerated in 1958, this was more than offset by the sharp decline in the rate of increase in transfer payments to wage-earners, after the second quarter. However, personal savings as a percentage of disposable incomes, which had risen significantly between the first half of 1957 and the same months of 1958, showed only a slight further increase in the remainder of the year.

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[13] See *Board of Trade Journal*, 30 January 1959.

[14] *Economic Conditions in Member and Associated Countries of the OEEC, Federal Republic of Germany*, OEEC, October 1958.

Under the generally favourable conditions of price stability and cheap and ample supplies of investible funds, the same moderate rate of over-all expansion is likely to be maintained in the first half of 1959. Investment and consumers' demand may be expected to continue their present rate of growth and public consumption will again provide some support as the domestically effective part of the budget cash surplus of 1958 is again transformed into a slight deficit. Export demand, on the other hand, has slowed down from a rate of growth of as much as 18 per cent in 1957 to 4 per cent in 1958, and export orders have declined since mid-year, so that any stronger expansionary impulse from that source seems unlikely in the near future.

Western German gold and foreign exchange reserves continued to rise throughout 1958, but not so fast as in 1957 — about DM 4 billion as against DM 5.2 billion. This slowing down, despite an increase in the surplus on the balance of goods and services, was largely accounted for by temporary changes in short-term capital flows in the second half of 1957 and early in 1958.

France

The economic stabilization programme adopted by the French Government at the end of 1958 [15] was designed to increase aggregate savings by fiscal measures, to prevent the automatic and cumulative rise in prices and wages by abolishing index-ties except for legal minimum wages, and to restore the competitiveness of French exports and reduce price distortions generally by the adjustment of the exchange rate and the removal of subsidies. Its success depends upon acceptance — assumed to be likely in the changed political setting — of a reorientation of economic policies more far-reaching in its long-term and severe in its short-term implications than any attempted in recent years. The announcement of the measures coincided with marked symptoms of the onset of a domestic recession. The decline in industrial production had continued at an average rate of 0.6 per cent per month since the peak reached in April-May 1958. Private consumption no longer increased in 1958 and the rate of expansion of investment slowed down very substantially, partly as a result of restrictive credit policy. Exports could not make up for the weakening of domestic demand and gross national product therefore increased by only 2 per cent in 1958 as against 6 per cent in 1957. In the fourth quarter, unemployment rose somewhat and hours worked declined, while prices became stable and real wages rose slightly.

Such a situation would have warranted a reversal of former restrictive policies but for the precarious balance-of-payments position, which presents a threat all the more serious in 1959 in view of France's new international commitments: entry into the European Economic Community, commitment towards the OEEC to liberalize imports and convertibility of the franc. The first two of these decisions made imperative both an adjustment of the French exchange rate and strict control of domestic price and demand inflation — the urgency of which was only lessened but not eliminated by the substantial improvement in reserves during the second half of 1958.[16]

The fiscal measures taken in December 1958 involve a maintenance of the over-all budget deficit which had previously threatened to rise to Fr. 1,200 billion in 1959 — or double the 1958 figure — at about the 1958 level. This is to be achieved through an increase in fiscal receipts [17] and a reduction of subsidies,[18] each accounting for one-half of the cut. The limitation of the deficit should allow the volume of public loans to be so adjusted to the possibilities of the capital market as to prevent further increases in the government debt to the Bank of France. Among the measures affecting prices are the elimination of subsidies and the raising of indirect taxes and of tariffs of nationalized enterprises. The index-ties between the cost of living and wages are abolished, except for the link between the legal minimum wage and the cost of living. Wages above the legal minimum will now be fixed by direct negotiation at the industry or enterprise level. The index-tie for prices of the main agricultural products has also been abolished.

In the foreign trade field, the liberalization quota for imports from OEEC countries has been raised to 90 per cent and for imports from the dollar area to 50 per cent. This was accompanied by a devaluation of the franc by 15 per cent and by the establishment of franc convertibility for non-residents.

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[15] See *Rapport sur la situation financière, présenté à Monsieur le Ministre des Finances et des Affaires économiques en exécution de sa décision du 30 septembre 1958*, Paris, 1958.

[16] At the end of 1958, gold and foreign exchange reserves (excluding earmarked gold) amounted to about $350 million to $400 million after payment of the very heavy EPU debt for December.

[17] This includes the suppression of certain fiscal exemptions, an increase in indirect taxation (e.g., on wine and tobacco) and an increase in direct taxation (e.g., taxes on company profits have been raised from 47.6 to 50 per cent).

[18] Abolition of subsidies for certain food products, abolition or reduction of certain agricultural subsidies, raising of tariffs for nationalized enterprises and a corresponding reduction of subsidies to make them self-supporting and the elimination of the deficit of the social security system.

The timing of the programme of reforms was certainly very well chosen, preceded as it was by an easing of domestic strains making possible the release of resources for exports; but it is too early to assess precisely its likely impact on the balance of payments and domestic activity. The disparity of French and foreign prices has been corrected, but the effect of the devaluation on the volume of exports will depend very much on the level of economic activity in the outside world. The net effect on imports of the opposite influences of liberalization, on the one hand, and the higher domestic cost of imports and slowing down of the rate of domestic economic expansion, on the other, is impossible to evaluate. Great hopes are being placed on an inflow of capital from abroad, stimulated by the liberalization of capital movements and the general confidence in the currency expected to arise from the efforts to combat inflation. The existing reserves and the credits obtained from American and western European banks and the Bank for International Settlements (amounting to over $400 million) should be sufficient to tide over any initial impact of liberalization on imports.

The budget for 1959 is intended to modify the structure of aggregate domestic expenditure in favour of public consumption and of investment; and it is hoped that exports will be stimulated by the devaluation. Private consumption is expected to decline as a result of increased fiscal burdens and the rise in the domestic price level, provided these are not compensated by subsequent wage increases; but the behaviour of private investment remains an important unknown. Provided that the volume of exports increases and private consumption does not decline too much, the incentive to invest arising from France's entry into the EEC could prove strong enough to offset any apprehensions among business men about the immediate course of domestic demand. This incentive will be much stronger for the large enterprises, with long-term production and investment programmes, than for small firms which are more sensitive to short-term business fluctuations. It seems likely, on balance, that certain sectors — such as chemicals — will continue to expand while others — like textiles — will see their difficulties increase. This, and the liberalization of imports, may assist in bringing about the change in the structure of output which is necessary for a further adaptation to changes in demand in French export markets.

Should private investment demand not respond as desired, other measures have been kept in reserve by the Government to make any necessary subsequent adjustments. It is stated explicitly in the programme [19] that " nationalization, and the practice of concerted action between private enterprise and the public authorities give the latter a large influence over the volume of investment. It is therefore already necessary at this stage to finalize or prepare appropriate supplementary investment programmes for key sectors which can be rapidly got under way." Credit policy — not mentioned in the programme — remains at the disposal of the Government to modify conditions for investors as may be required.[20]

The behaviour of prices and wages may well be a decisive factor in the success of the whole operation. The measures taken — the devaluation, higher fiscal and social charges and the abolition or reduction of subsidies — were estimated directly to raise the cost of living by 3 to 4 per cent; and such an increase had already taken place by mid-February. The secondary effect of these price increases on wages [21] and on domestic prices remains in question, also in view of the maintenance of the index tie for the legal minimum wage. However, the mitigating effect of import liberalization and of present domestic recessionary tendencies on price increases should be an important factor helping to prevent any wage-price spiral such as would wipe out the effect of the devaluation on the competitive position of French exports.

Other Countries

For a number of other countries the short-term prospects seem little changed from those outlined in the last *Bulletin.*[21a] The recession seems to have come to an end in Belgium but there is no clear evidence as yet of an early revival; and in Finland also the downward movement of economic activity seems to have been halted. Definite recoveries in these two countries can only be expected once demand for their exports expands again, although the investment schemes put under way in Finland, particularly in the export industries, may generate some increase in over-all demand. Both Norway and Sweden are also highly sensitive to fluctuations in foreign demand. In the latter country, the decline in exports and in the rate of stock-building has so far been slightly more than offset by increases in all other sectors of demand. A slight drop in industrial investment may be expected in 1959 but public investment and housebuilding will increase further. The National Budget for 1959 therefore foresees that the slow rate of growth of gross national product in 1958 will be about maintained.

In Norway gross national product stabilized in 1958 although the national budget had anticipated a 3 per cent increase; but, in view of the precarious balance-of-payments situation, policy measures to stimulate domestic activity remained cautious and were mainly centred on public works expenditure to prevent unemployment from rising further. No quick increase in Norwegian output can therefore be expected unless foreign demand revives; and the unfavourable prospects for receipts from shipping, which are almost as large as those from merchandise exports, make an early easing of Norway's strained external position most unlikely.

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[19] See footnote 15.

[20] Credit restrictions were relaxed somewhat in February.

[21] As from 1 February, salaries of civil servants and wages in nationalized enterprises have been raised by 4 per cent, and the legal minimum wage by 4½ per cent.

[21a] See *Economic Bulletin for Europe*, Vol. 10, No. 3. Moreover, the more long-term and structural problems of internal and external balance are analysed in the country studies contained in section 3 of Chapter III.

In Denmark the moderate revival of economic activity in the course of 1958 was due both to external and internal factors. The volume of both industrial and agricultural exports increased by about 10 per cent from the first nine months of 1957 to the corresponding period of 1958. However, export prices of agricultural products were about 7 per cent lower than in 1957, whereas prices of industrial exports fell less than half as much. Industrial products therefore accounted for the major part of the 7½ per cent rise in the value of all exports. This increase, which was accompanied by a decline of close to 3 per cent in the value of imports, affected domestic activity directly by sustaining the flow of incomes and indirectly by improving liquidity. Construction increased, but industrial investment in machinery and equipment, and total agricultural fixed investment, appear to have changed only little. Private consumption expenditure revived in the course of 1958. But even such a moderate revival of economic activity as occurred[22] was sufficient to call forth an appreciable rise in imports after the middle of 1958, almost eliminating the surplus balance of goods and services in the third quarter. Thus, the chronically weak Danish balance of payments may, once again, force an early check to any further expansion of economic activity.[23]

Moderate rates of growth are expected to continue in Austria and the Netherlands. In Austria the dampening effects of declining exports and of destocking must by now be largely spent, so that the upward tendencies of private consumption, public expenditure and private investment will become more effective again. There are, furthermore, indications of a renewed upturn of exports. However, private industrial investment is not likely to grow as rapidly as in 1958 given the increased excess capacity in many industrial sectors. Prospects are also good in the Netherlands for a continuation of the gradual domestic expansion, which started in the latter part of 1958 as a result of rising exports and of measures taken early last year to stimulate investment and to expand public expenditure. Whether the highly favourable export achievement of 1958 can be maintained in 1959 remains to be seen.

In Italy the gross national product increased by about 3½ per cent during 1958, owing mainly to agriculture and services, while industrial production rose by not quite 2 per cent. Investment demand levelled off and total exports increased only slightly, though exports of manufactures alone continued to rise rapidly. In the last months of 1958 industrial production resumed a moderate upward drift, but there are no signs of a more marked revival. As in most other western European countries, the short-term prospects for industrial investment are not bright. The main hopes for a speeding-up of economic expansion in the near future are placed in a revival of economic activity abroad. On the domestic scene, the development of the south remains a crying need; but up to now there are no firm indications that advantage will be taken of the opportunity, presented by the more comfortable foreign exchange position and the slack in domestic activity, to step up substantially the existing programmes of public investment, either in infra-structure or in industry proper. So far, action has been virtually confined to a moderate increase in public works to counteract the rise in unemployment.

Recent Developments in the rest of Southern Europe

The rate of growth in the southern European countries (other than Italy) slowed down from 1957 to 1958 in consequence more of unfavourable developments in agriculture than of the falling-off in world economic activity. Yugoslavia even succeeded in increasing exports appreciably, and its terms of trade improved.

In Spain and Turkey, inflation and a difficult balance-of-payments position continued to dominate the economic situation. In Greece and Portugal, on the other hand, a remarkable degree of price stability was maintained, as in previous years, and in Greece this was combined with a rather high rate of domestic economic expansion.

The estimated rise in total output in Greece fell from almost 10 per cent in 1957 to rather less than 5 per cent in 1958, mainly as a consequence of developments in agriculture. The wheat harvest was only 2 per cent better than the good harvest of 1957; tobacco production fell by about 21 per cent, and 1958 was a trough year in the biennial cycle of olive oil production. Fruit and wine production also declined. On the other hand, industrial output was more than 10 per cent higher in January-October 1958 than in the corresponding period of 1957, whereas the rise from 1956 to 1957 had been 8 per cent.

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[22] In the autumn of 1958 industrial production was about 3 per cent above the levels of a year earlier.

[23] For a discussion of the balance-of-payments experience of Denmark in the more recent post-war years, see section 3 of Chapter III.

Preliminary estimates indicate that the volume of fixed investment increased by about 19 per cent; and though, as usual, the construction of dwellings accounted for a large part both of the total and of the increment, investments also expanded in agriculture, industry and the public sector.

The principal unfavourable impact, so far, of the international recession on the Greek balance of payments has been a more than 20 per cent decline in receipts from shipping, and income from tourism has also fallen. In merchandise trade, import prices have fallen relatively to those of exports, resulting in a slight improvement of the trade balance in the first ten months of 1958 over the same months of 1957 despite a relatively large rise in the volume of private imports. In consequence of the decline in net receipts from services, the balance of goods and services and private donations deteriorated by close to $15 million. Some moderate further worsening may well have taken place since October 1958, and may continue in the present year, as exports are affected by the poorer harvest.

It is none the less improbable that the loss of foreign exchange reserves will be resumed (this was halted at the end of the third quarter of 1958 after a decline of some $60 million during the preceding eighteen months). For 1958/59, United States Government aid to Greece, other than through disposal of agricultural surpluses, has been increased to about $43 million from $20 million in 1957/58; a loan of $12 million from the United States Development Loan Fund was agreed in June 1958 for the construction of a fertilizer plant and, late in the autumn, a government loan was obtained from western Germany of DM 200 million and an additional large line of credit was made available from west German industry and banks.

The basis would thus appear to be provided for the continued expansion of the Greek economy in 1959 with the stability of prices which has characterized recent years. An expansion of public investments by more than 15 per cent is planned for 1959, with particular attention being paid to agriculture. Even more important may be a change in government agricultural policies designed to promote a more rational production structure through — *inter alia* — a limitation of the support given to the wheat price.

In Turkey total output appears to have stagnated or declined in 1958. This was largely due to smaller harvests of wheat and tobacco, which are estimated to have fallen by some 20 per cent and 8 per cent, respectively, below the high levels of the preceding year. In addition, industrial production was hampered by shortages of imported materials and spare parts consequent upon persistent balance-of-payments difficulties. Inflationary pressures continued strong during most of the year.

The value of Turkish exports declined by more than 20 per cent from 1957 to 1958. In spite of this, the trade deficit fell moderately because of a temporary, but heavy, fall in imports during the months of August-October 1958, when the price of foreign exchange for purchase of imports had been raised by almost 130 per cent and the 40 per cent surtax on most imports had not yet been abolished. (See below.)

In 1958 a set of new measures was introduced, and others prepared, intended to stabilize the domestic economy and improve the external position. To assist in the stabilization, Turkey received credits to a total of more than $350 million from the OEEC, the International Monetary Fund and the United States, and a six months' moratorium on Turkey's EPU credits and other debts was accorded.

Though formally the parity was not changed, the Turkish lira was in effect devalued on 4 August 1958, through the introduction of a simplified system of export subsidies and import taxes. The result was equivalent to the establishment of a rate of £T9.00 to the dollar for all imports, for about two-fifths of all exports, and for all invisible transactions, and rates of £T.5.60 and £T4.90 to the dollar for exports of tobacco, certain other agricultural products, copper and chromium. As mentioned, the earlier 40 per cent surtax on imports was abolished — but only in November — for all imports except petroleum and petroleum products.

Domestic prices were raised sharply in June and November 1958, in order to increase the receipts of semi-public and public enterprises and thus reduce their deficits financed by the central bank. In spite of these measures, the government debt to the central bank rose in 1958 at about the same rate as in the two preceding years, and the budget for 1959/60 foresees a 35 per cent increase in government expenditure, or rather more than can be accounted for by the rise in prices and wages. On the other hand, it would appear that in the last quarter of 1958 the restrictions imposed at mid-year on commercial bank credit were beginning to take effect. None the less, it is probable that any progress achieved in 1959 towards a reduction of inflationary pressures in Turkey will be the effect rather of the increased imports made possible by foreign credits than of the domestic measures so far adopted.

Total output in Spain is estimated to have been about 4 per cent higher in 1958 than in 1957, as compared with a rise of about 8 per cent in that year. As in Greece and Turkey, the slowing down was mainly due to less favourable developments in agriculture; and the wheat harvest, in particular, was almost 15 per cent smaller in 1958 than in 1957. Housing construction declined, though only moderately, whereas industrial production continued to expand and registered unemployment fell. The rise in Spanish domestic prices continued at almost the same high rate as in the preceding year and, both at the wholesale and the retail stage, foods were leading the rise in prices. Bank credit was expanded rapidly both to the government and to the private sector; and the effect on total demand and prices of a somewhat slower rise in government expenditure relatively to revenue than in 1957 appears to have been more than counterbalanced by the deterioration of the supply situation, consequent upon a decline in the volume of imports and the stagnation of agricultural output. The chronically unsatisfactory levels of agricultural output seems to be one of the key elements in Spain's persistent economic difficulties.

With imports greatly reduced and exports moderately higher, the deficit on merchandise trade in the first ten months of 1958 was close to $50 million smaller than in the same period of 1957; but it still amounted to about $300 million and in spite of the aid receive from abroad, foreign exchange reserves are virtually exhausted. In order to stimulate exports, certain export subsidies were increased in the autumn of 1958; at the same time an additional duty of 25 per cent was imposed on a wide range of imports apart from foods, fats and oils and certain other commodities. These changes have narrowed the range of effective rates applying to most exports and imports to some 48 to 54 pesetas to the dollar. The ordinary tariff is being revised upwards, presumably owing to the desire of the Spanish Government to replace the present quota system. The possibility of joining the OEEC, now under discussion, would, however, imply a fundamental departure from Spain's present foreign trade and exchange policies.

Portugal also is among the countries where the growth of total output in 1958 fell below the rate (3 per cent) registered in 1957; and again this was in large part, but by no means exclusively, due to developments in agriculture. The wheat harvest was some 7 per cent smaller than in 1957 and the production of wine and olive oil also declined. Industrial production would appear to have expanded only moderately, but the construction of dwellings in the first half of 1958 was more than 20 per cent larger than in the corresponding period of 1957.

Whereas in 1957 higher domestic investment and economic activity in general had led to a deterioration of the trade balance, a partial reversal took place in 1958. Exports continued weak, partly in consequence of the international recession; and the improvement in the trade balance was almost entirely due to smaller imports resulting from weakening domestic demand. Expenditures under the 1953-1958 development programme fell from 1957 to 1958, and the effect of this fall was reinforced by a decline in stock accumulation, which had been fairly large in 1957. Gold and foreign-exchange reserves have remained almost unchanged at a high level which would appear to allow a more vigorous implementation of the present development plans.

In Yugoslavia total output rose in 1958 by 3 per cent over the 1957 level, a slower rate of growth than in the previous year, reflecting a 13 per cent fall in agricultural production as a result of severe drought. Industrial output, hampered by smaller supplies to the food-processing industries, rose by 11 per cent as against 17 per cent in 1957 and construction by 17 per cent. The recession abroad, although felt in some sectors producing raw materials and semi-manufactures, did not have a powerful influence on domestic activity, because it was counteracted by increases in domestic capital formation and in consumption by 11 per cent and 4 per cent, respectively. Sales to western Europe of some steel products, non-ferrous metals and timber products came up against difficulties; but falls in exports of these items were more than compensated by larger sales of chemicals, non-metallic minerals, construction materials, food, tobacco and metal products. Thus, the volume of exports increased by about 14 per cent, and could have gone up even faster if internal demand had not competed very strongly for available supplies. Imports rose almost as fast (by 13 per cent in volume); but a substantial improvement in the terms of trade helped to reduce the trade deficit.

A further rise in output is foreseen for 1959. Fixed investment is planned to be higher than in 1958, personal consumption is set to increase by 6 per cent and exports at the same rate as last year. On this basis, gross output is expected to rise by some 12 per cent and output of industry alone by not less than 10 per cent.

3. THE TRADE AND PAYMENTS OF WESTERN EUROPE

As has been pointed out in previous *Bulletins*,[25] the accelerated growth since 1957 in the gold and foreign exchange reserves of western European countries took place at the expense both of the United States and of the overseas semi-industrial and non-industrial countries. The principal factor in this development was the decline in western Europe's imports, especially from the United States but also from other areas, while exports were much better maintained. At the same time the United States suffered a sharp decline in its exports not only to western Europe but to all major areas, while its imports fell only slightly. Western Europe therefore acquired increased reserves not only from its direct transactions with the United States, but also on a considerable scale through multilateral settlements.

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[25] *Economic Bulletin for Europe*, Vol. 10, Nos. 2 and 3.

Economic Activity in the United States and the Effects on Western European Trade

The recession in the United States proved far less severe than was widely expected at the beginning of 1958. Gross national product (at constant prices and seasonally adjusted) reached its lowest level in the first quarter of 1958. Industrial production began to rise steadily after April and, at the end of the year, was only about 2 per cent below the previous maximum reached in late 1956 and early 1957.

Three principal factors appear to have contributed to the reversal of the decline in total income and activity. First, personal incomes increased, largely as a result of higher unemployment benefits and other transfer payments and rising farm incomes, and thus sustained high private consumption expenditures; secondly, residential construction responded vigorously to the relaxations of credit policies and the special measures of government support; and, finally, federal, state and local government purchases of goods and services continued to rise. An important additional factor was that stocks were reduced very rapidly in the early part of 1958, not only in absolute volume, but also — because of the relative stability of final expenditure — in relation to manufacturing and trade turnover. The run-down of stocks after the first quarter of 1958 was completed during the autumn months. At the beginning of 1959 the indications are that the rate of economic recovery in the United States is now falling off somewhat; yet, though unemployment remains high and industrial production is below its earlier peak and far below capacity, both fiscal and credit policies appear still to be dictated mainly by fear of renewed inflationary pressures.

United States Imports

In the first three quarters of 1958, total industrial production was nearly 10 per cent below the level of the corresponding period of 1957. However, in contrast with experience during the two earlier post-war recessions, this decline had a relatively small impact on total United States imports. In the first nine months of 1958, imports were only about 2 per cent lower in value than in the corresponding period of 1957; but the decline was more than accounted for by lower prices, and the volume of imports was nearly 2 per cent higher.

Though manufacturing production was 10 per cent lower in the first half of 1958 than in the same months of 1957, the volume of imports of materials for industrial production fell by only some 4 per cent. However, imports of some commodities declined much more. From January-September 1957 to January-September 1958 reductions in import volumes of between 14 and 28 per cent occurred for wool, rubber, iron ore, copper, zinc, tin, and nickel; and for most of the non-ferrous metals, lower import prices reinforced the effects of the decline in import volumes or reduced the impact on the value of trade of any rise in volume. The fall in imports of iron ore and of non-ferrous metals, though considerable, was smaller than might have been expected in view of the extent of the decline in domestic steel production. Imports of copper, lead and zinc were for a time stimulated by the expectation of government measures to restrict imports; and copper imports then fell strongly from the second to the third quarter of 1958 as duties were reimposed.[26] Imports of aluminium and lead were higher in January-September 1958 than in the same months of 1957, by 14 per cent and 21 per cent respectively, while domestic output was cut back sharply. The expansion of construction activity in the United States raised imports of building materials, especially timber. Imports of petroleum products rose in the first half of 1958 from the relatively low levels of early 1957, when the Suez crisis had restricted foreign supplies, and increasing domestic demand sustained a further rise of imports in the second half of 1958.

In spite of a decline in both quantities and prices of imported coffee, total food imports rose in value by some 6 per cent from the first half of 1957 to the first half of 1958, owing mainly to larger imports of meat and sugar and to higher cocoa prices.

The most striking increases occurred, however, in imports of motor-cars. The number of cars imported in the first nine months of 1958 exceeded that of the same period of the previous year by 70 per cent, while imports of some other manufactures suffered a setback. Imports of agricultural machinery also expanded considerably with rising farm incomes.

It would thus appear that the principal causes of the sustained high level of United States imports were the maintenance of high consumers' incomes and expenditure, the favourable developments in the agricultural sector and the early recovery of economic activity. The imported commodities especially favourably affected by these developments — consumers' goods, building materials, and agricultural supplies and equipment — accounted in 1957 for close to 45 per cent of total United States imports; but even other imports, mainly industrial supplies and materials, were only moderately affected by the fall in industrial activity. This was in large part due to the fact that, for

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[26] Quotas for lead and zinc imports were established at the beginning of the fourth quarter.

TABLE 6

Balance of payments of western Europe with the United States

Millions of current dollars

	1957				1958		
	I	II	III	IV	I	II	III [a]
Imports from the United States	−1 747	−1 535	−1 293	−1 363	−1 161	−1 188	−1 078
Exports to the United States	+758	+781	+732	+820	+754	+758	+803
Services (net), excluding United States military expenditure [b]	−11	+112	+185	−117	+14	+112	+246
Balance of goods and services on civilian account	−1 000	−642	−376	−660	−393	−318	−29
United States military expenditure in western Europe	+518	+531	+365	+382	+480	+524	+396
Balance, including United States military expenditure	−482	−111	−11	−278	+87	+206	+367
United States Government grants and credits (excluding military aid)	+168	+204	+36	+280	+54	+179	+87
Movement of United States private capital							
Long-term	+69	+178	−15	+78	+150	+43	+79
Short-term	+106	+3	−33	+22	−14	+3	+67
Net increase (−) or decrease (+) in long-term dollar assets	−189	−135	+37	−60	−27	+56	—
Net increase (−) or decrease (+) in short-term dollar balance and gold	+323	−204	+78	−436	−634	−720	−1 097
Errors, omissions and inter-regional transfers of dollars	+5	+65	−92	+394	+384	+233	+497

Sources: *Balance of Payments*, statistical supplement, prepared by the Office of Business Economics, Washington, 1958, and *Survey of Current Business*, United States Department of Commerce, Washington, June and December 1958.

[a] Preliminary.

[b] Includes private remittances and United States Government pensions.

several raw materials and intermediate products, the decline in demand had a stronger impact on domestic production than on imports, often supplied to a considerable extent by subsidiaries of United States companies. It may be assumed that the decline in demand would have been distributed otherwise between imports and domestic output if western European demand had remained strong, thereby maintaining prices of supplies from outside the United States at higher levels. It would be premature to conclude from recent experience that a permanent new pattern has been established for the response of United States imports to fluctuations in domestic activity.

The Balance of Payments of Western Europe with the United States

Since western Europe supplies a large share of those imports into the United States which increased or were well maintained from 1957 to 1958, western Europe's exports to that country increased slightly between January-September 1957 and the same months of the following year (see Table 6). At the same time its imports from the United States fell by about $1,100 million. More than 20 per cent of this decline was accounted for by petroleum and petroleum products, which western European countries had imported on an exceptionally large scale from the United States during the first half of 1957 in consequence of the Suez crisis. Part of the fall — by one-third — in western European coal imports from the United States can be similarly explained, though here the principal factor was the reduction in total western European demand for coal as economic activity, and steel production, slowed down.[27]

Western European imports of food and other agricultural products from the United States in January-September 1958 were about $350 million lower than in the same period of 1957. Almost half of this decline was accounted for by cotton and reflected the contraction in the western European textile industries, while the remainder of the fall in agricultural imports was the consequence mainly of improving indigenous supplies. Very roughly half of the fall in western Europe's total imports from the United States may be ascribed to the weakening of western European economic activity, and the other

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[27] See section 1 for a more general discussion of the situation of the coal industry in western Europe.

TABLE 7

Imports of western Europe and the United States from selected areas of origin

Millions of current dollars c.i.f. [a] *and percentages*

Area of origin / Importing countries	Latin America		Other primary-exporting countries [b]		Industrialized countries						World	
					Western Europe		United States and Canada		Eastern Europe and Japan			
	January-September		January-September		January-September		January-September		January-September		January-September	
	1956	1958	1956	1958	1956	1958	1956	1958	1956	1958	1956	1958
Millions of dollars												
United Kingdom	576	639	3 510	3 180	2 305	2 392	1 503	1 332	264	270	8 158	7 813
Other western Europe	1 621	1 585	5 299	5 288	13 110	14 158	3 655	3 621	1 057	1 253	24 742	25 905
Total western Europe	2 197	2 224	8 809	8 468	15 415	16 550	5 158	4 953	1 321	1 523	32 900	33 718
United States	2 783	2 645	1 930	1 912	2 048	2 301	2 108	1 976	447	530	9 316	9 364
Percentage change over previous period												
United Kingdom		+11		−9		+4		−11		+2		−4
Other western Europe		−2		0		+8		−1		+19		+5
Total western Europe		+1		−4		+7		−4		+15		+2
United States		−5		−1		+12		−6		+19		+1

Sources : Foreign Trade, OEEC Statistical Bulletins, Series I; *Direction of International Trade*, Statistical Papers, Series T, United Nations, New York.

NOTE.—Special imports, except for the United Kingdom and Ireland, where general imports were used.

[a] For the United States, f.o.b.

[b] Total world minus Latin America and industrialized countries.

half to various special factors not systematically related to the level of activity.

Compared with the changes in western Europe's imports from the United States, the changes in other items in the balance of payments were small. Western Europe's net receipts from services and from United States military expenditure rose by less than $100 million from the first nine months of 1957 to the same period of 1958, and the flow of United States private long-term capital to Europe rose by about $40 million. Thus, the changes in transactions with the United States have resulted in an appreciable increase in western European gold and dollar reserves, and this increase has been supplemented by a transfer of reserves from the primary exporting countries.

Though important factors of a long-term character have been at work to strengthen the balances of payments of western European countries — not least an improvement in western Europe's competitive position — a large part of the recent rapid rise in the area's gold and foreign exchange reserves must be ascribed to the slowing-down of economic activity. The position might therefore become rather different, and revert to one of temporary losses of western European reserves and increases in those of the United States, if western European activity rose at rates comparable with those of 1955/56 while activity in the United States remained appreciably below full-capacity and full-employment levels. Fears of a renewal of the dollar shortage might then arise, and not without reason, to replace the present somewhat astonishing concern about the weakening of the dollar relatively to western European currencies. It would appear that post-war experience has made an excessive relative strength of the dollar so much a matter of course that any weakening — which, in fact, tends to promote international equilibrium — arouses anxieties more appropriate to tendencies towards a disturbance of the international balance.

Trade with Countries exporting Primary Products

In the first half of 1957, the rise since the early 'fifties in the total value of exports of the countries exporting primary products came to a halt, and there began a decline which was particularly steep in the first half of 1958. Total exports in 1958 appear to have been some $1.8 - $2.0 billion less than in 1957, and appreciably smaller also than in 1956. The volume of exports was, on the whole, well maintained and the fall in export values was largely due to declines in prices.

If, in order to abstract from the effect of the Suez crisis, the trade flows in January-September 1958 are compared with those in the same months of 1956, the 3.3 per cent decline in United States imports at current prices from the primary-exporting countries is found to have slightly exceeded the decline, by 2.9 per cent, of such imports into western Europe (see Table 7). In absolute terms western European imports fell more, by $314 million as against $150 million for the United States; but, since the former are recorded c.i.f. and United States imports f.o.b., and since freight rates fell sharply from 1956 to 1958, there can be little doubt that the receipts of primary exporters from the United States declined more than did their receipts from western Europe.

The United Kingdom, where domestic activity changed little after 1955, accounted for four-fifths of the fall in western European purchases from primary-exporting countries; and the decline in British imports was largely concentrated on the sterling area countries — particularly Australia, New Zealand, the Federation of Rhodesia and Nyasaland, and India — which suffered declines in their exports to Continental western Europe also. On the other hand, British and total western European imports from Latin America even increased slightly, whereas the fall in United States imports was heavily concentrated on that area. Thus, the frequently observed tendency for trade between affiliated or closely related areas to remain relatively less affected than other trade by fluctuations in activity does not appear to have operated in the present case. However, as has already been mentioned, the slowing-down of western European economic activity affected imports from the United States much more than those from the primary-exporting countries; and the fall was concentrated on imports of basic materials and fuels from the United States rather than on manufactures.[28]

Changes in the volume of manufacturing production of OEEC member countries and in imports at current prices from overseas[a]

	Percentage changes	
	1954 to 1955/56[b]	*1955/56*[b] *to 1957/58*[b]
Manufacturing production	+14	+8
Total imports from overseas	+20	+5
of which :		
Imports from the dollar area	+43	+13
Imports from other overseas areas .	+9	+1
Imports of selected commodity groups :		
SITC 04, Cereals and preparations . .	+17	−10
SITC 07, Coffee, tea, cocoa, spices .	−18	+9
SITC 2, Crude materials	+13	+0
SITC 23, Crude rubber	+94	−19
SITC 3, Mineral fuels, lubricants . .	+37	+23
SITC 68, Base metals	+57	−25
SITC 7, Machinery, transport equipment	+25	+24

Sources : Foreign Trade, OEEC Statistical Bulletins, Series II and IV; national statistics.

[a] World, less European countries.

[b] Twelve months ending in June.

As appears from the table, the decline in the rate of growth of manufacturing production from the earlier to the later part of the recent period of western European expansion was accompanied by a larger fall in the rate of growth of the value of imports from overseas.[29] The slowing-down of the western European expansion — magnified by changes in stock accumulation — affected most strikingly imports of base metals and ores and of certain other raw materials, whereas special factors, only loosely — if at all — related to the course of activity in western Europe, similarly influenced a number of important commodity groups and especially imports of agricultural products.[30]

Since 1953, the imports of the primary-exporting countries have increased more rapidly than their exports, resulting in a growing trade deficit. Imports rose particularly strongly in the first half of 1957 and began to decline only in 1958, but without returning to the levels of 1956. Thus, as usual, the movement in imports into the primary-exporting countries lagged behind the change in the trend of their exports.

Mainly in consequence of these changes in trade flows, the foreign exchange reserves of the primary-exporting countries began to fall in 1957, from $11.1 billion at the end of June 1957 to about $9.3 billion at the end of September 1958. In the period of most rapid fall, from mid-1957 to mid-1958, the loss of reserves amounted to more than $1.6 billion.[31]

Though the general developments in the trade and reserves of the primary-exporting countries conformed to the typical pattern in a downturn of international activity, these conceal considerable changes due to special factors. First, India alone accounts for 33 per cent of the total loss of reserves by primary-exporting countries from the end of June 1957 to the end of September 1958; and the large rise until 1957 in India's imports and trade deficit was a consequence more of the expansionary domestic policies pursued and some relaxing of import controls in 1956 than of any delayed stimulus to domestic demand from earlier increases in exports. Secondly, large as was the change from a $400 million accumulation of reserves during 1956 by the primary-exporting countries as a group to a more than $1,600 million loss of reserves in 1957/58, the change was none the less about $600 million smaller than the deterioration between the same two periods in the aggregate trade balance of these countries. The difference between the change in reserves and in trade balances would appear to have been accounted for largely by an increase in these countries' receipts from capital imports and foreign aid. A number of them — particularly Argentina, Brazil and India — drew on the International Monetary Fund after 1956, and expenditure out of loans to such countries from the International Bank for Reconstruction and Development increased. United States civilian grants and capital exports to primary exporters were more than $3.3 billion in 1957/58, or slightly larger than in 1956, and United Kingdom exports of long-term capital to the rest of the sterling area seem to have increased by rather more than $150 million in the same period; capital exports from western Germany and other continental western European countries would also appear to have risen. In the second half of 1958, India and a number of other countries again obtained considerable credits from international institutions and from industrial countries.

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[28] See also Chapter III, section 1, below.

[29] From 1955/56 to 1957/58 the export prices of OEEC member countries combined increased by about 3 per cent. Thus, the purchasing power (in terms of western European exports) of the exports of non-dollar overseas areas to western Europe would appear to have declined by about 2 per cent between the two periods.

[30] Changes in imports of cereals, in large part from North America, depended mainly upon the fluctuations in western European production. Most of the decline in the value of imports of coffee, cocoa, etc., from 1954 to 1955/56 was due to the fall in coffee and cocoa prices from the exceptionally high levels ruling in 1954.

[31] See Chapter III, section 1, below.

The Immediate Prospects for Western European Exports

By the end of 1958 the downward adjustment of the imports of the primary-exporting countries which had already taken place, and the continued inflow of capital and foreign aid, were probably sufficient to reduce substantially or to halt the decline in their combined reserves. In such conditions, it is not, on the whole, to be expected that these countries will take further major steps to limit their imports, and this expectation is reinforced by the slowing down in the last months of 1958 of the decline in the United Kingdom's exports to them. On the other hand, even if these countries' exports should rise substantially in the course of 1959, in consequence of a continued revival of activity in the United States and western Europe, some of them may well utilize a substantial part of their larger export receipts to rebuild reserves. Even without any falling-off in the flow of capital and aid to the primary-exporting countries, therefore, total exports to them from the industrial countries may well grow only slowly in the near future.

None the less, activity in western Europe may receive some stimulus from an increase in overseas exports. First, with rising activity in North America, western European exports to that area may resume a more rapid expansion. Secondly, western Europe may be expected to continue slowly to increase its share of the market for manufactures in the primary-exporting areas, and thus to increase its exports even if the total exports of all industrial countries to those areas should rise very little.

The volume of intra-western European trade in the first half of 1958 was about 2 per cent below the level of the corresponding period of 1957.[32] In the third quarter there has been no increase, so that for the first nine months of last year the corresponding decline amounted to less than 2 per cent in volume but still to over 4 per cent in value.

While west German imports from western Europe increased by 8 per cent in value in the same period and thus continued to provide a strong support to intra-western European trade and production, and British imports did not register any change, Italian and Dutch imports from western Europe declined substantially. Western Germany maintained its export level, and Denmark and the Netherlands even succeeded in raising their exports substantially while most other industrial countries suffered a considerable decline in their exports to the rest of western Europe.

As has appeared from the preceding sections, the trend towards a revival of economic growth in western Europe has so far been quite weak, and no very marked effect is to be expected from the expansionary measures so far taken in a number of countries. On the other hand, it has been shown also that the major influences have disappeared which first induced governments to try to damp down activity and later to be cautious in their policies of expansion. A further moderate recovery of intra-western European trade may therefore be expected in coming months. The tariff and quota advantages [33] benefiting the common market countries will not be very significant for the first few years of the European Economic Community and, with few exceptions, no marked shifts in trade flows are therefore likely to occur. However, in the subsequent period the discrimination may well result in some re-direction of intra-western European trade unless the creation of a free trade area or arrangements of a similar kind reduce the discriminatory advantages of the common market countries.

The foreign-exchange reserves of western European countries have been replenished and prospects for demand for western Europe's exports, though not bright, do not presage new balance-of-payments

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[32] For a more detailed discussion of intra-western European trade, see *Economic Bulletin for Europe*, Vol. 10, No. 3, p. 14, and for trade among individual western European countries, Table 7 in that *Bulletin*.

[33] The generalization of the first mutual tariff reductions (by 10 per cent), just put into effect by the EEC members, extends those reductions wholly or in part to other member countries of OEEC or GATT, and to other countries on a most-favoured-nation basis. For non-member countries of EEC, however, the reductions are effected only to the extent that they do not involve reductions below the rates of the eventual common external tariff of the Community. The enlargements of import quotas to a minimum equivalent to 3 per cent of national production of the commodity concerned have been restricted to trade among member countries.

TABLE 8

Indicators of changes in the trade and payments position of western European countries in 1957 and 1958

Millions of current dollars and index numbers

Country	Unit-value index numbers 1953 = 100						Volume of trade in 1958 *Percentage change from 1957* [c]		Trade balance *Millions of dollars* [b]		Changes in gold and foreign-exchange holdings of central banks and treasuries *Millions of dollars*	
	Imports [a]				Exports [a]							
	1957		1958 [c]									
	First half	Second half	First half	Second half	1957	1958 [c]	Imports	Exports	1957	1958 [c]	1957	1958 [c]
Austria	99	97	93	91	105	103	+2	−4	−150	−154	+104	+155
Belgium-Luxembourg	104	100	96	93	106	99	−4	0	−246	−74	−11	+351
Denmark	107	102	97	96	100	96	+6	+11	−198	−95	+41	+58
Finland	107	123	139	132	118	142	−11	−3	−63	+47	−3	+79
France	108	115	117	117	107	117	−1	+5	−1 068	−482	−581	+200 *
Western Germany	104	102	97	93	104	103	+7	+4	+1 050	+1 395	+1 353	+678
Greece	126	128	119	114	140	137	+18	+6	−306	−335	−15	−26
Iceland	..	..	..	..	..	..	..	..	−18	−15	+2	0
Ireland	115	113	110	108	99	101	+10	−4	−144	−186	+18	+10
Italy	112	108	103	97	105	105	−6	+2	−1 086	−639	+224	+608
Netherlands	108	107	103	100	105	101	−3	+10	−1 005	−408	−16	+437
Norway	109	106	102	100	115	110	−1	−2	−453	−566	+5	+62
Portugal	106	105	..	..	102	..	..	..	−216	−188	−6	+15
Spain	103	102	101	99	99	98	−1	+8	−390	−364	−18	+11
Sweden	108	105	103	100	103	101	+2	−1	−282	−269	−17	+17
Switzerland	104	103	101	99	98	99	−9	−1	−405	−159	+101	+67
Turkey	..	..	..	..	..	..	..	..	−54	−69	+85	−18
United Kingdom	109	103	98	98	110	109	0	−4	−1 728	−1 188	+140	+796
Yugoslavia	115	111	104	104	117	114	+13	+14	−266	−245	−3	+13

Sources: General Statistics, OEEC Statistical Bulletins; International Financial Statistics, IMF, Washington; and national statistics.

[a] For Denmark and Norway excluding ships.

[b] Exports f.o.b., minus imports c.i.f.

[c] For a few countries, data based on as many months as were available, usually 9 to 11.

difficulties (see Table 8).[34] While there can thus be little doubt that, in general, the widened international margin available to most western European countries would allow a more rapid revival of economic activity in western Europe in 1959 than yet appears to be likely, the external positions of individual countries differ greatly. Western Germany is, and has for long been, in a uniquely strong position independently to adopt expansionary policies; and, since west German imports from other western European countries constitute a larger share (one-sixth) of intra-western European trade[35] than do those of any other country of the area, an expansion in western Germany would have a greater effect on activity in other western European countries than would a similar expansion elsewhere. Recently the payments position of the United Kindgom has also improved appreciably; and the United Kingdom and western Germany together absorb more than 25 per cent of intra-western European imports (excluding trade between the two countries) and one-sixth of world trade. Thus, policies of expansion pursued simultaneously in the United Kingdom and western Germany could not fail to influence economic developments in western Europe decisively and in the rest of the world very greatly. A continuous and close co-operation between the monetary authorities in London and in the European Economic Community will be required if continuous and balanced growth in western Europe is to be achieved.

The need for such co-operation has been made even greater by the breakdown — at least temporarily — of the negotiations for a western European free trade area and the first steps towards the effective establishment of the common market of the European Economic Community (EEC). As has been pointed out on earlier occasions,[36] the adverse effects on non-member countries of the trade discrimination inherent in the plans for the common market and the free trade area could well be more than offset if the closer economic ties among the members were to result in a more rapid and steady expansion of western European activity than would have otherwise occurred. But today, the suspension of the negotiations for the free trade area, coinciding with the first discriminatory tariff reductions and preferential enlargement of import quotas by the member countries of EEC, has introduced an element of uncertainty into intra-western-European economic relations even though the actual degree of trade discrimination by the EEC members is likely to be of little practical consequence in the near future. Such uncertainty may have an inhibiting effect on the adoption of expansionary policies by non-member countries within western Europe and thus, at one remove, worsen the conditions for economic growth elsewhere also. Any agreements among the members and non-members of EEC leading to a lessening of the trade discrimination now in prospect, or to increasingly effective co-operation in creating conditions favouring expansion within the western European economies, could provide an important reassurance to the area's trading partners.[37]

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[34] See also Chapter III, Table 11, below.

[35] See Chapter III, Table 6.

[36] See SURVEY for 1956, Chapter IV, and SURVEY for 1957, Chapter V, section 3.

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[37] The significance of the new European Monetary Agreement, and the changes in international monetary conditions accompanying its establishment, are discussed briefly in Chapter III, section 4, below.

B. THE POSSIBLE PATTERNS OF RENEWED EXPANSION

4. The Supply of Manpower

The Short-term Prospects

Production can be increased quite substantially in the early phases of a new expansion in many western European countries without running into over-all labour shortages. Even though unemployment has remained very low in most countries [38] (see Chart 2), a moderate — in some cases a very small — increase in output could be achieved by drawing the unemployed into production and by reversing the tendency for short-time working to rise and for marginal workers to retire from the labour market. In countries with structural unemployment labour supply is no problem: rather it is the degree of success in raising investment, and in southern Europe also in increasing the supply of special skills and entrepreneurial know-how, which determines rates of expansion.

More important is the fact that, in favourable conditions, increases in output per man-hour could contribute to a substantial rise in total output, as was demonstrated in the early part of the last boom. Industrial production then rose by between 7 and 27 per cent over two years in western European countries, with only very small increases in the numbers employed; and experience during the recent recovery in the United States has been similar. Undoubtedly, the possibilities of expanding output through productivity increases are greater now than they were during 1952 to 1954 in view of the larger investments made since then than in the years preceding 1952.

Percentage increases in production and employment in industry, 1952 to 1954

	Production	*Employment*	*Working hours per worker*
Austria	+16	+2	+3
Belgium [a]	+16	+1	—
Denmark	+13	+4 [b]	..
Finland [a]	+27	+6	−1
France [a]	+20	+1	+1
Western Germany	+23	+9	—
Italy	+20	+1	+2
Netherlands	+21	+7	..
Norway	+15	+2	..
Sweden	+7	+1	..
United Kingdom	+14	+4	+2

Sources : National statistics.

[a] 1953 to 1955.

[b] Man-hours worked.

How fast an expansion can proceed without running into manpower bottlenecks, either over-all or in particular sectors, will vary from country to country, depending partly on the pattern of growth of demand. In the past boom it was only in a very few countries that over-all manpower shortages at any time impeded economic expansion. Much more generally, manpower bottlenecks developed in some sectors, particularly the building industry; [39] and skilled labour for the engineering industry was often scarce. Wage pressures tended to start in those sectors and to spread from them to the whole economy.

The Future Growth of the Labour Supply

Not surprisingly, there has been a tendency in the post-war period for the rate of increase of total

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[38] In the United Kingdom it is estimated that, without creating a labour shortage, an increase of employment of only 1 or 2 per cent (200,000 to 400,000) would be possible in a period of about a year through a reduction in unemployment and an increase in the labour force. See *National Institute Economic Review*, No. 1, National Institute of Economic and Social Research, London, January 1959.

[39] In western Germany, the only country where unemployment declined further in 1958, labour shortages reappeared in the building industry when expansion was resumed in that sector in the course of the year.

TABLE 9

Change in the labour force from 1953 to 1958 and projections for 1963 in selected western European countries

Thousand persons

Country	Actual labour force			Projected labour force		Ratio of projected labour force to population aged 15-64 in 1963
	1953	1958	Percentage change 1953 to 1958	1963[a]	Percentage change 1958 to 1963	
Austria	3 384	3 620	7.0	3 700	2.2	70
Belgium	3 571	3 579	0.2	3 630	1.4	54
Denmark	1 964	1 982[b]	0.9[b]	2 150	8.5[c]	63
France	19 494[d]	19 711	1.1[d]	20 060	1.8	63
Western Germany	22 931	25 640[e]	11.8[e]	25 470[f]	−0.7[f]	65[f]
		24 600[a g]	7			
Italy	18 607[h]	20 598	10.7[h]	21 400	3.9	59
Netherlands	4 059	4 320	6.4	4 715	9.1	58
Norway	1 447	1 478	2.2	1 570	6.2	60
Sweden	3 121	3 208	2.8	3 380	5.4	60
United Kingdom[g]	23 434	24 089	2.8	24 690	2.5	66

Sources and methods : See Appendix B.

[a] Rounded.

[b] 1956 and 1953 to 1956.

[c] 1956 to 1963.

[d] 1954 and 1954 to 1958.

[e] Including immigrants during 1954 to 1958.

[f] Assuming no immigration during 1959 to 1963.

[g] Excluding immigrants during 1954 to 1958.

[h] 1952 and 1952 to 1958.

output to be relatively high in countries where the labour force was growing relatively fast; and, as is noted in Chapter III below, an ample labour supply has been associated both with more moderate wage increases and inflationary pressures and with more favourable balance-of-payments conditions than were experienced in countries with tight labour markets. Such easy labour market conditions existed in the past in western Germany, Austria, Italy and, to a lesser extent, in the Netherlands.

Thus, the prospective growth of labour supplies in various western European countries has a very definite relevance to any assessment of the likely pace and pattern of expansion and to consideration of the appropriate policies to ensure expansion.

From 1953 to 1958, the rate of increase of the population of working age [40] was slower than that of total population in western Europe as a whole and in most individual countries; but there was a marked tendency for the labour force to expand at a higher rate than either total population or the population of working age as activity rates rose, under the pressure of demand, in the majority of countries outside Scandinavia. As can be seen from Table 9, the rate of increase in the labour force has been high in western Germany, the Netherlands, Austria and Italy; but it has been modest in all other countries, and particularly in France, Belgium and Denmark.

The growth of the total labour force in the coming years will depend — leaving aside migration — on the rate of growth of the population of working age on changes in the age and sex structure of the active population, and on activity rates. In Table 9, the labour force in 1963 has been estimated by applying to each age group of the estimated population at that date the activity rates implied in 1958 (or in 1953 if these were higher than in 1958).[41] Thus, the projections must be considered as working hypotheses only. But although activity rates rose during the period 1953 to 1958 in the majority of western European countries,[42] they still remain relatively low in some countries. It seems realistic to assume therefore that, at least for women workers, activity rates will continue to increase, particularly in countries where they are still relatively low, provided that an adequate demand for labour is forthcoming. The figures arrived at in the table are therefore probably generally on the low side; but it has also to be considered that there may be a decline in activity rates in the 15-19 age group if the school-leaving age is raised and higher education is promoted, as appears to be the intended policy in several countries.

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[40] Age 15-64.

[41] If the active population for 1958 is calculated by multiplying the numbers of persons of various age cohorts by the proportion of active persons at these ages in the last census, the result differs from the actual labour force by a certain correction factor. The activity rates at each age given in the last census multiplied by this correction factor may be taken as implied activity rates in 1958.

[42] A greater increase in the labour force than in the population of working age may occur either if the age groups with the highest activity rates become larger, even though the activity rate in each age group remains constant, or if activity rates in the various age groups change. Between 1953 and 1958 the numbers in the age groups with high activity rates have, in general, declined (except in western Germany and Austria) but global activity rates have increased. Since it is impossible to say in which age groups they have increased, the simplified hypothesis has been adopted of a uniform increase in activity rates in all age groups, the extent of the increase being chosen so as to arrive at the actual active population.

Western Germany faces the most important prospective change in labour supply conditions, which is likely to have a profound impact on the rate and pattern of expansion in that country. Whereas the labour supply increased by almost 12 per cent between 1953 and 1958 (and a 7 per cent rise would have occurred even without any migration), the domestic labour supply may be expected to change only little in the next five years. Moreover, the tendency for the inflow of migrants from eastern Germany to decline, which has been in evidence in the last two years, is unlikely to be reversed in view of the tightness of the labour market in eastern Germany.[43] In the United Kingdom the rate of growth of the population of working age will vary little from that of the recent past; and, considering the already high ratio of the labour force to the total population of working age, a substantial further rise in activity rates is difficult to envisage in that country. In France the active population will hardly rise before 1962. After that there will be quite substantial entries into the labour market, resulting from the higher birth-rates prevailing since the end of the war.

In two of the other countries where the rate of increase in the labour force may be expected to slow down appreciably — Austria and Italy — it is difficult to envisage a generalized shortage of labour since, even in Austria, the still relatively high proportion of the working population employed in agriculture (about 30 per cent) should provide an ample source of manpower for non-agricultural activities. In Italy and the other southern European countries, as already pointed out, it is not the labour supply which constitutes a limiting factor to expansion.

Even assuming — as has been done in the projections — that activity rates in the several age groups will cease to increase after 1958, the labour force in the remainder of the western European countries [44] will rise faster between 1958 and 1963 than in the preceding five years. In Denmark, Finland, the Netherlands, Norway and Sweden the differences between the past and prospective rates of increase are quite substantial; and in Denmark, the Netherlands and Finland the creation of sufficient employment opportunities in coming years will constitute a major problem for economic policy.[45] Belgium, where the projected increase in the labour force is very modest, has an exceptionally low global activity rate, owing partly to an unfavourable age structure but mainly to the long period of slack on the labour market; and a considerable expansion of demand could easily be met by drawing more people into employment.[46]

Shifts of Manpower between Economic Sectors

In the countries which will experience only small increases in the total labour force in coming years and where unemployment has been reduced to very low levels, one possibility of increasing industrial manpower lies in structural changes, such as the further mechanization of agriculture and the rationalization of low-productivity sectors, which will release manpower for industry.

The changes in employment in agriculture, industry and services between 1953 and 1958 are shown in Table 10.[47] As can be seen, the outflow from agriculture was higher in most countries in the years 1955 to 1957 than from 1953 to 1955, since the pressure on manpower resources had progressively exhausted other manpower reserves, but it seems that the outflow of manpower from agriculture slowed down appreciably with the slackening of industrial activity in 1958.

The increase in output per man-hour in agriculture in recent years has been substantial in practically all western European countries, and in most of them — bearing in mind the pitfalls involved in such comparisons — it would appear to have been higher

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[43] See Chapter I, section 1.

[44] Examining the demographic developments in western Europe in a longer-term perspective, the *Economic Survey of Europe in 1955*, Chapter 5, had already shown that the rate of increase in the population of working age over the period 1956-1971 would be higher than it has been in the 1951-1956 period in all western European countries except western Germany, Austria and Italy.

This global approach to manpower problems ignores the shortages that may occur in particular sectors, and especially the shortage of technical manpower. Such specific shortages, however, raise problems of a different nature from those discussed in the text.

[45] The Chairman of the Dutch Employers' Association has recently stated that it will be necessary in the next five years to create 120,000 new jobs in industry (an addition of about 8 per cent) in order to avoid serious unemployment and that, for this purpose, industry would have to invest some Fl. 11 billion. In Finland, also, it has been estimated that from 1960 to 1965 it will be necessary to create new jobs in branches of production other than agriculture and forestry for 142,000 to 225,000 people (about 6 to 10 per cent of the total employed population in 1958) if a steep rise in unemployment is to be avoided.

[46] Irrespective of rates of total increase, a feature common to almost all western European countries is a shift in the composition of the total labour force towards the age groups of less than 30 years of age and this would tend to increase the elasticity of the labour supply coming from new entries into the labour market. The increasing number of school-leavers will pose, to governments and industry, serious problems of providing adequate training facilities. In the United Kingdom, for instance, there will be 857,000 people 15 years old in 1961 and 929,000 in 1962, as against 750,000 in 1958.

[47] See also Appendix Table VIII.

TABLE 10

Percentage changes in the employed labour force 1953 to 1958 by sectors

Percentage annual rate of change

	Austria [a]	Belgium	Denmark	France	Western Germany	Ireland	Italy	Netherlands [a]	Norway	Sweden	United Kingdom
1953 to 1955											
Agriculture	−4.0	−0.6	−1.4 [b]	..	−1.9	−0.5	−1.7 [d]	−2.2	−2.4	−3.5	−1.1
Industry	6.1	1.1	−0.6 [b]	..	5.6	2.2	3.5 [d]	3.0	1.8	1.5	2.2
Building	8.6	2.8		..		−0.6		4.0	−0.4	1.9	1.7
Services	3.2	1.1	0.3 [b]	..	3.8	−0.5	6.0 [d]	3.3	2.1	1.2	0.8
Total	4.0	1.0	−0.5 [b]	..	3.4	0	2.0 [d]	2.5	0.6	0.5	1.4
1955 to 1957											
Agriculture	−5.2	−1.0	..	—1.1 [c]	−2.3	−2.1	−4.6	−1.7	−1.1	−2.5	−1.8
Industry	3.6	1.9	..	1.4 [c]	4.5	−1.9	5.7	1.0	0.5	0.4	0.3
Building	−0.7	2.8	..	2.1 [c]		−0.4		4.0	−2.0	1.5	1.1
Services	3.5	−0.4	..	0.6 [c]	3.9	−0.6	2.4	1.9	1.5	1.6	0.5
Total	2.4	0.7	..	0.5 [c]	3.1	−1.7	0.9	1.3	0.3	0.5	0.4
1957 to 1958											
Agriculture	−8.4	−0.6	..	..	− 2.3	−1.8	−1.1	−1.4	−0.9	−3.4	−1.5
Industry	0	−1.6	..	0.9	0.9	..	0.9	−1.3	−2.0	−0.9	−2.8
Building		−10.5	..	—1.4		..		−10.8	0.8	2.9	−1.7
Services	3.4	0.9	..	..	3.3	..	..	0.6	1.2	1.5	0.9
Total	0.7	−1.1	..	0.4	1.3	..	3.6	−1.2	−0.2	0	−1.0

Sources : See Appendix Table VIII.

[a] Wage and salary earners for Austria; equivalent man-years for the Netherlands.

[b] 1952 to 1956.

[c] 1954 to 1957.

[d] 1952 to 1955.

than, or equal to, labour-productivity increases in industry.[48] Moreover, the view is generally held that the rate of growth of productivity in agriculture will possibly even speed up.[49] A scaling-down of agricultural protection in the highly industrialized countries of western Europe would not only raise consumers' real purchasing power, but would increase the manpower available for industrial expansion. Moreover, future rates of outflow of labour from agriculture will depend in part on the possibilities of absorption in non-agricultural activities. The likely impact of such outflows on labour supply to non-agricultural sectors varies greatly from country to country. It is negligible in the United Kingdom and Belgium, but important for countries where agriculture still absorbs a large proportion of the total working population, as in Austria, France and Finland.

The longer-term pattern in the past has been for employment in services to increase more rapidly than in industry. However, in the countries with a particularly rapid rate of industrial expansion — western Germany, France and Austria — industrial manpower grew faster than did employment in services during the boom period. At the other extreme, among the countries where the over-all labour supply was tight, the rate of increase of industrial employment was markedly lower during 1955 to 1957 in the United Kingdom than from 1953 to 1955, and there was an absolute decline in industrial employment in 1958 whereas the rate of increase of employment in services was about maintained. Rather similar developments took place in Sweden, Norway and the Netherlands; and in all four countries the underlying tendency for a shift of employment to services was unintentionally reinforced by the effect of efforts to damp down industrial growth so as to check inflationary pressures. Where the share of services in total employment was relatively low in 1953, the increase in the numbers of women employed was more rapid than elsewhere, in view both of the more limited employment opportunities in industry in general and for women in particular.

In the United Kingdom the measures adopted in 1955 and 1956 to ease demand pressures and to release resources for export production, particularly in the engineering industries, did not achieve their full effect. Labour made redundant in the consumer-goods industries affected by restrictive measures was either hoarded in the expectation of subsequent recruiting difficulties or else was absorbed mainly by the distributive trades, services and transport. Quite apart from geographical and occupational obstacles to labour mobility, this result was hardly surprising since the policy of damping down over-all demand in order to bring relief to the balance of payments and to remove inflationary pressures exerted a depressive effect on almost all sectors of the economy so that there was little pull from the industries it was desired to stimulate.

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[48] See *Economic Survey of Europe in 1956*, Chapter VII.

[49] See, for instance, *Prognose for norsk jordbruksproduksjon, 1955-1985*, by Oddvar Aresvik; *Danmark og de Europaeiske Markedsplaner*, Copenhagen, 1958; Sven Holmström, *Medd. Från Jordbrukets Utrednings-Institut*, June 1957; and *Jordbruksekonomiska Meddelanden*, August 1958.

With an increasing share of services in total private consumption, it may be expected that tertiary activities will continue to absorb a proportion of new accruals to the labour force at least as high as in the recent past, although the rationalization of such low-productivity sectors as retail trading could slow down this process. Among the three countries with a prospectively tight labour situation — western Germany, France and the United Kingdom — a certain easing of industrial labour market conditions may be expected to come from the continued outflow of labour from agriculture in France and, to a lesser extent, in western Germany. For all three of them, however, the major possibility of maintaining a more rapid rate of over-all expansion in the longer term will lie in a change in the pattern of investment (discussed in section 5 below).

5. CHANGES IN THE LEVEL AND PATTERN OF INVESTMENT

Growth of Capital Formation

The differences among western European countries in the proportion of the gross national product devoted to gross fixed capital formation during the period 1953 to 1957 were very substantial. As is shown in Table 11, the shares varied from over 20 per cent in Norway, Finland, the Netherlands, western Germany, Austria and Italy, to less than 15 per cent in the United Kingdom, Portugal and Ireland, with the remaining countries occupying intermediate positions. To a large extent these differences among countries corresponded to differences in the proportion of the gross national product devoted to investment in transport and communications, other trades and services, dwellings and public administration, and the share of industrial investment [50] in national product varied much less.

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[50] Including investment in manufacturing industries, mining, public utilities (electricity, gas and water supplies) and construction industries; the last item is relatively small.

TABLE 11

Structure of gross fixed capital formation, annual averages 1953-1957

Percentage of gross national product at current market prices

Country [a]	Gross domestic capital formation	Commodity sector			Other productive sectors			Others		
		Industry [b]	Agriculture	Total	Transport and communications	Other trades and services	Total	Dwellings	Public administration	Total
Norway	28.5	6.9	3.0	9.9	8.5	2.5	11.0	5.0	2.6	7.6
Finland	25.6	8.6	3.1	11.7	1.9	0.8	2.7	6.8	4.4	11.2
Netherlands	23.0	7.1	1.4	8.5	4.0	2.5	6.5	4.6	3.4	8.0
Western Germany	21.8	8.5	1.8	10.3	3.3	3.1 [c]	6.4	5.1	.. [c]	5.1
Austria	21.7	9.5 [d]	3.2	12.7	2.8	.. [d]	2.8	4.3	1.9	6.2
Italy	20.4	6.4	2.6	9.0	3.2	1.1	4.3	5.2	1.9	7.1
Sweden	19.9	5.9	1.0	6.9	5.1	0.7	5.8	5.0	2.2	7.2
Denmark [e]	17.7	2.8	1.3	4.1	4.0	5.6 [f]	9.6	2.8	1.2	4.0
France [e]	16.6	5.8	1.5	7.3	2.3	1.0	3.3	4.1	1.9	6.0
Greece	15.5	3.5	1.1	4.6	3.0	2.5	5.5	5.0	0.4	5.4
Belgium [e]	15.4	5.4	0.6	6.0	3.1	0.9	4.0	3.8	1.6	5.4
United Kingdom	14.6	6.0	0.6	6.6	1.7	2.5	4.2	3.4	0.4	3.8
Portugal	14.5	4.9	1.7	6.6	2.3	1.5	3.8	3.3	0.8	4.1
Ireland	13.7	4.0	1.3	5.3	2.3	3.2 [f]	5.5	2.4	0.5	2.9

Sources : See Appendix B.

[a] Arranged in descending order of gross domestic fixed capital formation as percentage of gross national product.

[b] Includes mining, manufacturing, public utilities and construction.

[c] Public administration is included in other trades and services.

[d] Other trades and services included in industry.

[e] 1953-1956.

Including some unallocated investment.

TABLE 12

Percentage increases in the volume of the main components of gross fixed capital formation and in national product, 1953 to 1955 and 1955 to 1957

Country	Commodity sector			Other productive sectors			Others			Total domestic fixed capital formation	Gross national product at market prices	Industrial production	Ratio of gross fixed capital formation to increase in output [b]	
	Industry [a]	Agriculture	Total	Transport and communications	Other trades and services	Total	Dwellings	Public administration	Total				Total	Industry
Austria														
1953 to 1955 . .	123	52	101	48	. . [c]	. .	27	13	22	65	23	33	2.7	1.9
1955 to 1957 . .	7	13	8	−10	. .	. .	2	6	3	4	11	10		
Belgium														
1953 to 1955 . .			21				15	4	12	17	7	16	4.9	. .
1955 to 1957 . .			2				10	11	11	5	5	6		
Denmark														
1953 to 1955 . .	—	−27	−9	2	—	1	−9	39	3	−1	2	11	7.7	3.1
1955 to 1956 . .	−10	12	−4	13	1	6	−4	−6	−5	1	2	2		
Western Germany														
1953 to 1955 . .	41	49	42	37	32	. .	20	. . [d]	24	35	20	28	2.9	2.2
1955 to 1957 . .	5	9	5	16	12	. .	4	. .	7	8	12	14		
Greece														
1953 to 1955 . .	8	14	9	127	59	92	20	−41	12	32	12	30	2.0	1.8
1955 to 1957 . .	14	94	31	45	15	33	11	3	11	25	17	13		
Ireland														
1953 to 1955 . .	23	37	26	−9	−18	−15	−16	14	−12	—	3	8	17.6	. .
1955 to 1957 . .	−16	−9	−14	5	−25	−13	−15	20	−9	−13	1	−4		
Italy														
1953 to 1955 . .	13	18	15	21	17	20	45	−9	26	19	12	18	3.7	2.0
1955 to 1957 . .	19	3	14	12	32	17	22	8	18	16	10	14		
Norway														
1953 to 1955 . .	−2	18	4	23	18	22	6	19	10	12	7	17	8.6	4.2
1955 to 1957 . .	14	2	10	1	33	7	−25	15	−12	3	7	8		
Portugal														
1953 to 1955 . .	−3	19	2	26	−5	12	11	20	13	8	9	. .	3.8	2.4
1955 to 1957 . .	23	1	17	4	8	5	35	33	35	18	7	. .		
Sweden														
1953 to 1955 . .	13	−14	8	—	69	6	15	15	15	10	10	11	4.8	. .
1955 to 1957 . .	3	−5	2	12	15	12	7	2	6	6	7	8		
United Kingdom														
1953 to 1955 . .	21	16	21	7	45	28	−7	3	−6	15	8	14	4.9	4.1
1955 to 1957 . .	7	1	6	44	11	23	−5	14	−3	9	4	2		

Sources: *General Statistics*, *OEEC Statistical Bulletins*, January 1959; and information supplied by the OEEC.

[a] Includes mining, manufacturing, public utilities and construction.

[b] Ratio of gross fixed capital formation during the period 1953 to 1956 to increase in output between 1953 and 1957.

[c] Included in industry.

[d] Included in public administration.

A rapid expansion of investment was a marked feature of the post-war western European expansion. In part this was a result of the vast backlog of all kinds of investment needs which had accumulated during the years of depression and war; but, increasingly, new technological developments — particularly in the chemical industries — and automation techniques were being translated into new industrial plant, housing shortages were being overcome and delayed infrastructure investments undertaken. Moreover, in countries such as Austria, western Germany, Italy and the Netherlands, the large increases in population were being absorbed into the productive process through the provision of new productive capacity. As is usual in periods of rapid economic expansion, investment rose relatively faster than total output; and the strong recovery of private savings from the low levels of the earlier post-war period contributed to this in several countries. As has already been pointed out, the investment boom gradually lost its momentum after 1955, as a result both of measures to check the growth of investment demand and of autonomous factors.

Subsequent developments varied from country to country. In most countries the rate of capital formation slowed down considerably and was accompanied by a marked decline in the rate of growth of output (see Table 12). Exports and consumption became the main supports of the continuing growth of total output, based on capacity installed during the investment boom and smaller increments to capacity as the share of investment in total expenditures declined. However, in the United Kingdom, where private savings rose particularly sharply, the rates of expansion of capital formation and of gross national product declined about equally, so that the share of investment in gross national expenditure was maintained. In some southern European countries — Greece, Italy and Portugal — and perhaps also in France, the growth of capital formation and of national product continued during the years 1955 to 1957 at rates almost approaching those of the earlier period of the boom. Thus a close association is apparent between high rates of growth of national product and of capital formation in these countries between 1955 and 1957, and in nearly all countries during the period of the most rapid upswing; and between low rates of growth of investment and of total output in the countries where over-all expansion slowed down. The content of services and imports combined being, in general, smaller in investment than in consumption, any given increment of investment provides a dynamic impulse to the economy as a whole which is greater than that provided by an equal increment of consumption.[51]

Investment in Industry and the Growth of Excess Capacity

The broad relationship just noted — the association of high (or low) rates of growth of total capital formation with high (or low) rates of growth of total output — also seems to apply to changes in investment and output in the industrial sector in nearly all western European countries, the only major difference being that the expansion of both industrial investment and output was faster than that of total investment and output in the boom period and the later falls in rates of growth were steeper (see Table 12).

Except in Denmark and Ireland, there was no fall in the absolute volume of industrial investment during 1955 to 1957, though rates of growth slackened, so that the annual additions to industrial capacity changed very little. Since the expansion in industrial output had already slowed down considerably in some countries by 1956, and nearly everywhere in 1957, it was to be expected that substantial excess capacity should emerge in a number of countries and industries.

Comprehensive data on additions to the stock of fixed capital and on capacity utilization by industrial sectors have been collected only in western Germany.[52] From these data it would appear that gross additions to fixed capital[53] in industry amounted to as much as 9.2 per cent in 1955, and were still 7.5 per cent in 1958 despite the fact that the volume of gross fixed industrial investment had then remained stationary for the third consecutive year. Such substantial additions to the capital stock[54] are the outcome not only of very high levels of industrial investment, but also of factors which are specific to western Germany — namely, that because of war-time destruction and subsequent dismantling the total quantity and the age-structure of equipment is such that only a relatively small part of gross investment is for replacement, and scrapping is small. Table 13 shows for recent years the growth of capital stock and changes in output and capacity utilization by industrial sectors.[55]

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[51] See the SURVEY for 1957, Chapter III, section 3.

[52] See Rolf Krengel, *Anlagevermögen, Produktion und Beschäftigung der Industrie im Gebiet des Bundesrepublik von 1924 bis 1956*, Deutsches Institut für Wirtschaftsforschung, Berlin, 1958, and *Wochenbericht*, 28 November 1958, Deutsches Institut für Wirtschaftsforschung.

[53] Figures for net additions to fixed capital in industry are not available for 1958. From the beginning of 1950 to the beginning of 1957, gross additions to fixed capital in industry amounted to 62 per cent while the corresponding increase for net fixed capital was of over 80 per cent.

[54] Calculations of the growth of the stock of fixed capital are based on certain assumptions about the lifetime of equipment, machinery and buildings which probably result in an overstatement of the rate of growth. See Krengel, op. cit., p. 70 et seq.

[55] Capacity utilization is arrived at by dividing the gross capital/output ratio in each year by the most favourable gross capital/output ratio during the period.

TABLE 13

Western Germany

Growth of fixed capital in industry (A) and of output (B), and degree of capacity utilization (C)

A and B = Percentage increases over preceding year
C = Capacity utilization as percentage of utilization in peak year

Industries	1955			1956			1957			1958		
	A	B	C	A	B	C	A	B	C	A	B	C[a]
Mining	9.5	6.3	88.7	6.4	5.1	87.1	4.8	2.8	85.1	4.0	0.3	81.7
Basic materials and producers' goods	10.6	15.9	100.0	9.8	6.9	97.6	8.3	5.9	94.8	8.0	2.3	90.1
Investment goods	10.6	23.2	100.0	12.3	9.0	96.9	11.1	4.1	90.4	9.2	6.9	87.5
Consumers' goods	6.8	11.0	98.7	6.9	8.6	100.0	7.0	5.7	98.5	6.4	−1.0	90.0
Food, drink and tobacco	4.5	10.0	96.2	6.0	7.3	97.3	6.4	10.2	100.0	6.5	3.8	92.7
Total industry	9.2	14.8	97.7	9.0	7.9	96.4	8.0	6.3	93.2	7.5	3.1	88.5

Sources: Wochenbericht, Deutsches Institut für Wirtschaftsforschung, 28 November 1958 and *Die wirtschaftliche Lage in der Bundesrepublik Deutschland*, Bundesminister für Wirtschaft, November 1958.

[a] First three quarters only.

From its peak in 1955, capacity utilization declined most in the investment-goods industries, where additions to capacity had remained particularly high when the rate of production growth had already started to decline. In 1958 there was a sharp decline in the utilization of capacity also in the consumer-goods industries (where the maximum had been reached only in 1956) because output fell in 1958 whereas additions to capacity remained high.

In the United Kingdom annual additions to capacity in recent years were substantial, although industrial output rose slowly or even declined, and the special circumstances prevailing in western Germany did not apply. The relevant figures for the United Kingdom are as follows:

Fixed capital and output in manufacturing at constant prices

Percentage increases over the previous year

	Fixed capital at beginning of year		
	Depreciated value [a]	*Gross replacement value* [a]	*Output*
1955	4.0	2.7	6.9
1956	5.4	2.6	−0.8
1957	5.9	3.4	2.4
1958	5.6	3.3	−1.6
1959	5.2	3.2	. .

Source : National Institute Economic Review, No. 1, National Institute for Economic and Social Research, London, January 1959.

[a] The depreciated value is based on the straight-line depreciation of assets according to length of life adopted for income tax purposes. The gross replacement value is based on the results of research by the National Institute into the replacement cost and mortality rates of manufacturing capital, whereby figures of gross investment are reduced by the equivalent of normal scrapping of assets. The depreciated value of assets is now only about half as great as their gross replacement value. On the other hand, there is a much smaller difference between the two estimates of the annual additions to the stock of capital, principally because the rate of scrapping has been much slower than the rate of depreciation. Therefore the first estimate gives an exaggerated measure of the expansion of capacity, and the second understates the growth of capacity because it does not allow for the superiority and more intensive use of new capital.

A recent investigation undertaken [56] into capacity utilization in 1958 in the United Kingdom shows that in the metal-using industries an average increase of about 20 per cent in the volume of output would be required to reach what is considered a normal level of capacity utilization, and that such an increase could be achieved with a 7 per cent rise in numbers employed: an increase of production by 10 per cent would require a 3 per cent increase in the average working week and a 3 per cent rise in employment. There were, of course, great divergencies between firms and between branches of production. In the commercial vehicles and tractor industries, excess capacity varied from 20 to 50 per cent and in the bicycle and motor-cycle and light engineering industries it was also considerable. Unutilized capacities are also high in the traditional consumer-goods branches (particularly textiles), as well as in the building materials industries. In the chemicals, paper and steel industries excess capacity is of the order of 10 to 15 per cent, and in this group of firms capacity is still growing rapidly. However, there are also firms which are still working at full or almost full capacity — as, for instance, in the motor vehicles industry.

In Austria, additions to over-all industrial capacity are estimated to have been about 7 per cent in each of the last two years. [57] Over-all utilization of capacity has been estimated at only 75 per cent in 1958, and the break-down given by industrial sectors [58] indicates a decline in capacity utilization in the last two years for all industrial branches except machinery, vehicles, electrical, paper-processing, glass and the food industries.

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[56] *National Institute Economic Review*, No. 1, National Institute of Economic and Social Research, London, January 1959.

[57] *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung*, Heft Nr. 11/12, 1958.

During the period of expansion from 1953 to 1957 the rate of growth of industrial output in every western European country exceeded that of industrial employment. But the extent of the excess — i.e., the rise in productivity — varied from country to country. Thus, while industrial employment increased by some 5 to 6 per cent between 1953 and 1957 in Belgium, Denmark, France, Norway, Sweden and the United Kingdom, the increase in industrial production in these countries ranged from 16 and 17 per cent in the United Kingdom and Denmark to 45 per cent in France. (See Appendix Table VII.) A partial explanation of the divergencies among countries in the growth of employment relatively to output is provided by the level of industrial investment (see Chart 6). In general, the rate of increase in industrial output has tended to be relatively low in those countries where industrial investment per employed worker has been low and where this relatively small input of new capital has not been compensated through a large rise in employment. Thus, the slow growth of both output and productivity in the United Kingdom and Denmark was the consequence of low rates of industrial investment per worker combined with a small increase in employment. In similar circumstances France was — as an exception — able to increase output and productivity strongly, due in part to the existence of very considerable unutilized capacity at the beginning of the period.

Since, when employment stagnates, a given volume of investment will raise the amount of capital per worker faster than when employment increases rapidly, one might have expected to find a tendency towards a more rapid rise in productivity in the countries where employment rose relatively slowly. It would appear, however, that the wider opportunities

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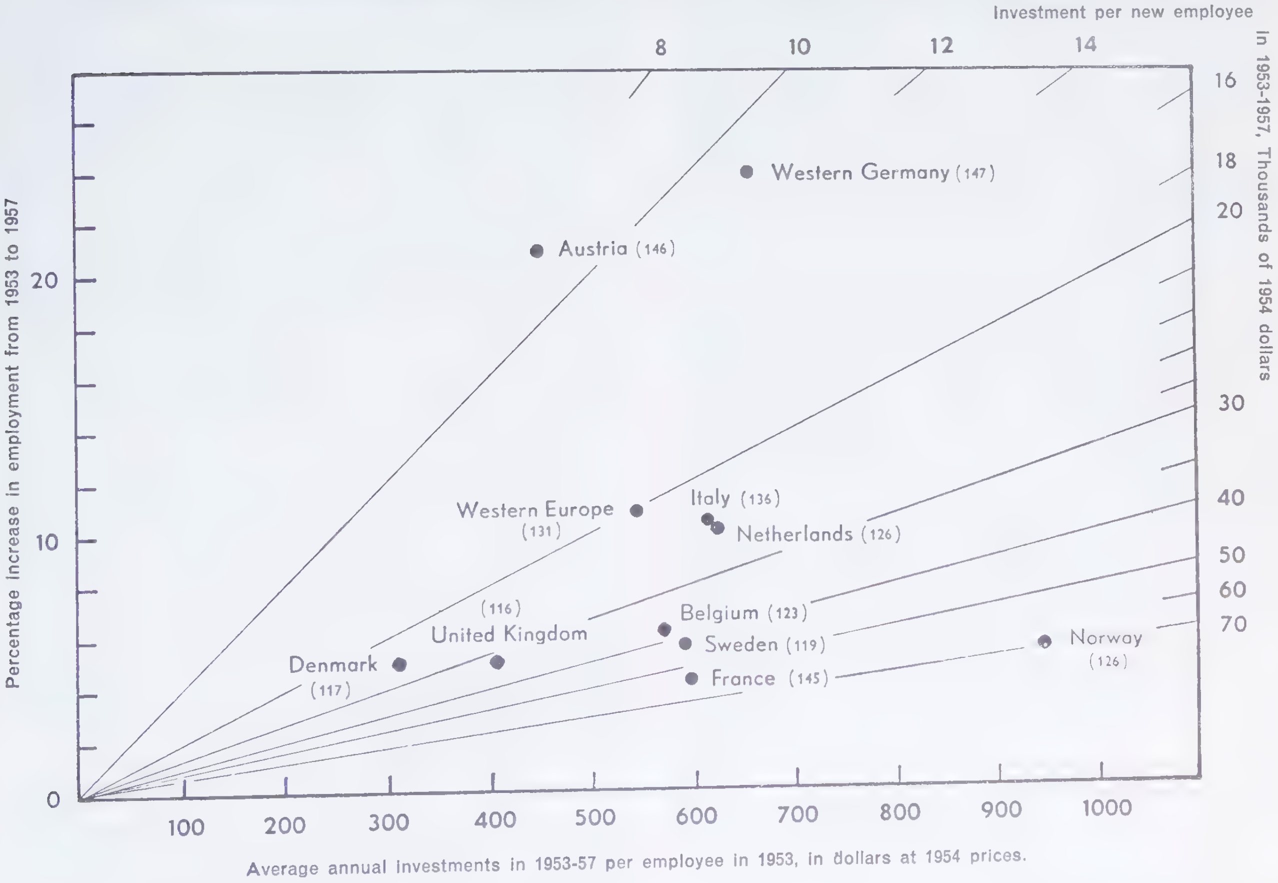
[58] See *Industriestatistik*, 1. Halbjahr 1958, Bundesministerium für Handel und Wiederaufbau.

CHART 6

Gross fixed investment and changes in number of employees in industry [a] in selected European countries



Sources and methods : See Appendix B.

NOTE. — Figures in brackets refer to the index numbers of industrial production in 1957 (1953 = 100)

[a] Mining, manufacturing and public utilities.

provided by a high level of gross investment for taking advantage of technical progress have been a more important influence on productivity than the slowing-down of the rise in capital per worker in consequence of a rapid rise in employment. Thus, the rise in productivity has depended less upon the amount of investment per additional worker employed than upon the level of investment in relation to the total number of workers employed or to total output.

In evaluating the importance of investment to the rise in productivity, some modifications to the above argument are called for. First, the magnitude most relevant to the increase in output and productivity is probably not the absolute amount of investment per worker, but rather the rate of increase in the stock of industrial capital. The same investment per worker in, say, Italy and the Netherlands will involve a relatively larger increase in fixed capital in Italy than in the Netherlands. Secondly, and more substantively, experience seems to show that large-scale changes in the structure of employment and output promote economic growth and *vice versa*; and that such structural changes may in part substitute for the stimulus usually provided by increases in aggregate demand and labour supply. In the period 1953 to 1957 there was a clear tendency towards a positive relationship between the rise in productivity and the extent of structural change in industry.[59] Among the ten countries covered by Chart 6, productivity rose most in France and Italy; and these were the two countries that experienced the largest changes in industrial structure. On the other hand, in the United Kingdom and Denmark both the changes in industrial structure and the rise in productivity were smaller than in the other countries.

If the view is extended from industry to all sectors of the economy, it is found that the investment-to-output-increase ratio has, in 1953 to 1957, generally been lowest in the countries where employment increased most rapidly and where, therefore, a relatively large share of the rise in output must be ascribed to the larger input of labour. In Austria and western Germany the ratio was about 3, while in the United Kingdom it approached 5, and in Denmark and Norway it was even between 8 and 9. Evidently, in the countries with high investment-to-output-increase ratios a deepening rather than a widening of the capital structure must, in general, have taken place.

Several conclusions, which are important for the short-term and longer-term prospects for future expansion, can be derived from the limited evidence on the growth of excess capacity and the differences among countries in the extent of the deepening and widening of the capital structure.

In the first place, it is unlikely that, in the short run and in the absence of a renewed expansion of aggregate demand or a change in expectations, any marked spontaneous revival of private industrial investment can be expected, since excess capacity is known, or can be presumed, to exist in many countries over a wide range of industries. Moreover, even firms or industries which are still working near capacity limits are reported to have revised their investment plans downwards, especially since additions to capacity continue to be high as a result of orders for investment goods placed earlier. However, once the economic climate changes, whether in response to tangible evidence of an upturn and in anticipation of government measures taking effect, or simply as a result of imponderables affecting business men's expectations, the existence of excess capacities will probably no longer prevent entrepreneurs in industries which have suffered only temporary setbacks from raising their investment targets again. In such circumstances the present opportunity for cheap and ample finance should be used much more extensively than has been the case so far; though it may, of course, be expected to exert its main influence outside industry proper — on the construction of dwellings and long-term infrastructure investments. In addition, there exists the incentive to invest in order to introduce new techniques and new products; and, even if total final demand does not rise rapidly, any appreciable change in its structure may induce larger investments in expanding fields, which then, in turn, may accelerate the growth of total demand. Progress towards the full establishment of the common market of the EEC may be expected to stimulate such structural changes.

Another conclusion which presents itself is that, in view of excess capacities and of current additions to capacity, quite a substantial expansion of industrial output is possible in a number of industrial branches with only minor additional investment, and that mainly in stocks. Moreover, as has already been pointed out, output can be raised at first — to an extent depending on the character of past investment — through increases in productivity with little or no increase in employment.

As for the longer-term prospects, industrial expansion in the countries with smaller additions to the labour supply will increasingly depend upon a deepening of the capital structure, designed primarily to raise productivity rather than to provide additional employment opportunities. Recent technological

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[59] *Changes in production structures, 1953 to 1957* [a]

Austria	108	Italy	150
Belgium	110	Netherlands	96
Denmark	71	Norway	74
France	118	Sweden	98
Western Germany	105	United Kingdom	71

Source: Appendix Table IX.

[a] Total of the numerical differences between the percentage shares in total industrial output in 1953 and in 1957 of seven industrial branches as a percentage of the average of such totals for the countries shown. The branches are: mining, food, drink and tobacco, textiles, metal-making, metal-using, chemicals, and "other" industries.

advances in the industrial application of automation — particularly in the chemical and metal-using industries, where the largest expansions of demand and output are likely to occur — open up great possibilities for raising output, through increased productivity, even in countries where the future additions to labour supply will be small. On the other hand, in the countries where larger additions to the labour force will occur in the next few years, and/or where unemployment is high, there will be a need for widening investment for the creation of new jobs. In both groups of countries, continued economic growth may well be accompanied by changes in the structure of industrial output and employment — in particular, an expansion of the chemical and engineering industries at the expense of the textile industries — involving an increase in investment requirements per worker employed. Furthermore, continued industrial expansion, if based on an accelerated transfer of labour from agriculture to industry, will imply an increase in over-all capital intensity through additional investments in both sectors.

6. POLICY ISSUES

The improvement in the international liquidity position of most western European countries, the falling-off of the demand for labour relatively to its supply, the widening of the margins between available plant capacities and actual supply, and the weakness of the tendencies towards a renewed upturn in economic activity, all suggest the need everywhere — save in a few countries — for more vigorous measures than those so far taken to promote expansion.

Reference has already been made [60] to the great importance of appropriate policies in the United Kingdom and western Germany; and to a number of the smaller countries both the international and national margins for an expansion of domestic activity are available. This is the case, though to varying degrees, particularly in Austria, Belgium, Italy, the Netherlands and Switzerland. Elsewhere, the restraining of domestic demand is still a major problem in a few countries, while for most the external liquidity position, though improved, is not judged sufficiently favourable to allow independent expansionary policies on a larger scale. Even in those of the smaller countries where the foreign exchange position is comfortable, a complete recovery of activity is essentially dependent upon action taken by other — and especially the larger — countries, since the main impact of the recession within their economies has been via demand for their exports.

It can be foreseen that in a future expansion the smaller countries must account for a larger part of the rise in total output in western Europe than they have done in earlier years. Neither in France nor in western Germany can it be expected that earlier rates of growth will be fully resumed in the years ahead; but, as has been mentioned, the maintenance of high levels of employment in several of the smaller countries will not only permit but require an acceleration of economic growth. Thus, the international pattern of expansion in western Europe will tend to change in a way which gives greater weight to developments in the countries which are the least able to pursue autonomous policies and are the most dependent upon the course of events elsewhere.

Moreover, the dismantling of almost all direct controls within the domestic economy in most countries, the further progress with trade and payments liberalization, the first steps towards creation of the common market of the EEC and the widespread adoption of currency convertibility involve an irreversible shift towards greater reliance than in the past on indirect methods of influencing market forces. The virtual abandonment in western Europe of attempts to insulate national economies from external developments, and the general reliance on monetary and fiscal policies to maintain both external and internal balance, call even more urgently than did past practices for international harmonization of policy objectives and measures. To that extent, the need for international economic co-operation is increased and, as has been mentioned, effective steps to overcome the uncertainties created by the breakdown of negotiations for a free trade area could hardly fail — by improving confidence — to hasten economic recovery.

So far as the probable impact of external developments on the west European economy is concerned, it has to be remembered first that economic recovery in the United States has not as yet significantly strengthened the world market for primary goods and, secondly, that output capacity for such goods has been rising — a fact which contributed to the relative stability of their prices during the latest phase of expansion in the industrialized countries. It seems unlikely, therefore, that the terms of trade or the export receipts of the primary-exporting countries would be quickly or strongly strengthened by a new upturn in western Europe; and both economic growth in the under-developed countries and a resumed expansion of western Europe's exports to them would appear to depend increasingly upon a continuation of the recently rising trend of their receipts from capital exports and aid. It is to be expected that a revival of western Europe's exports to overseas, besides being of general support to the economy, would have a relatively strong impact on some of those sectors most affected by the recession.

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[60] See section 3 above.

Longer-term Issues

It has already been noted that the possible pace and pattern of expansion in different countries will be determined by the widely differing growth in labour supplies to be expected, and by the extent to which productivity can be raised through investment of a labour-saving character, particularly in countries with relatively scarce manpower resources. The actual pace and pattern will depend not only on autonomous factors, but also on the appropriateness of measures taken to foster expansion while avoiding the recurrence of a situation where it becomes — or is considered — necessary, particularly on balance-of-payments grounds, to apply a brake so as, once again, to cause stagnation or a downturn of economic activity.

Once expansion has got under way, the success of future policies will inevitably be dependent partly on a proper appraisal of the strength of autonomous impulses arising from investment, consumers' demand and exports. It will also depend on success in applying the lessons, learnt in recent years, from efforts to cope with inflationary strains.

It was widely assumed at the time that the pressure on prices and on balances of payments which arose either separately or jointly in many western European countries during the last boom sprang essentially from over-all excess demand. This was therefore countered mainly by monetary restriction designed to affect primarily demand for investment. But while there had indeed been general excess demand at the height of the boom in a number of countries, such restrictions were kept on after demand pressures had eased and sometimes long enough for the forces of expansion to spend themselves. This was done in what subsequently emerged as a largely vain hope of arresting wage-cost increases. The extent to which general wage and price increases can occur, even when recources are no longer fully employed, if localized inelasticities raise wages and prices in one or a few sectors of the economy, seems to have been insufficiently taken into account by the framers of policy. However, this has in fact been the main genesis of wage pressures in many countries during the last year or two; and, in view of what has been said above about the prospects for private investment and export demand, over-all excess pressure on resources seems unlikely to re-emerge in the foreseeable future.

In such circumstances a policy of general demand restriction is equally unlikely to be called for in most countries and, if it were nevertheless applied, could make the situation in some respects worse in so far as it resulted in a check to productivity advances.[61] Furthermore, although the balance of payments is usually adversely affected by price and wage increases which run ahead of those occurring in other countries, it may also deteriorate in the absence of such increases. At any rate, even when over-all restraint of demand and output provides an alleviation both to a domestic cost inflation and to balance-of-payments strains, it involves the danger that the improvement may last only as long as — or perhaps a little longer than — the cure is being applied at the expense of economic growth, unless, of course, the fundamental causes of the trouble are simultaneously being tackled by more selective measures.

The Need and Scope for Selective Policy Measures

While the rate of expansion of demand may be expected to be relatively slow in the near future and no over-all strains are likely to develop, bottlenecks in specific sectors may well appear again.

The main requirements of economic policy are therefore to ensure balanced and relatively rapid growth without violent changes in the pattern of expansion, and this may, in turn, presuppose a greater flexibility in the application of stimulus or restriction — so as to bear mainly on the sectors where the strains or the stagnation originate — than has been the common practice so far.

All this involves, first, the need for quick and accurate diagnosis of the first symptoms of strain or weakening in the economy. Better and more prompt information is required in most countries on unemployment, vacancies and employment by sectors, branches and regions, on additions to and utilization of capacities, on business men's views about orders, sales prospects and factor requirements and on private investment intentions. Even where such information is already fairly comprehensive, its collection and processing very often remain too slow to permit early and precise identification of the areas and causes of strain or slackening.

But even assuming that the cause and the nature of any strains in the economy can be quickly identified, the success of counteracting measures may well depend on their selectivity. In some fields selectivity, though not absolute precision in its practical application, can in principle be fairly easily achieved. For example, the dangers of imbalance between demand for and supply of particular types of labour, which has been a fairly important factor generating more general upward pressures on costs and prices in a number of countries in the past, could be lessened to some extent by measures designed, through more adequate training facilities and vocational guidance, to provide the skills likely to be required. However, neither perfect foresight nor fully effective guidance in this field can be hoped for.

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[61] See section 1 above.

For the purpose of more general and immediate influence over economic developments, the range of policy tools available to governments is wide, including monetary and fiscal measures and the level and pattern of public expenditure itself. Some of these tools can be made to function as built-in stabilizers — for example, the institution in some countries of blocked investment funds accumulated during the boom and released when a recession threatens. And sudden spurts of domestic demand can be permitted to spill over on to imports, as a means of ironing out their impact on the markets for domestic resources, to an extent depending mainly on a country's balance-of-payments position and reserves, or on the credit facilities available to it.[62]

Not very much can be done — acting independently — by any but the very large countries to influence the level of exports which, generally in western European countries, represent a large element in aggregate demand. The direct means of influencing the sector-distribution of investment vary from country to country, depending mainly on the size of the public — or partially publicly financed — sector. Private industrial investment, once decisively influenced in a certain direction, may long resist reversal through monetary measures, as has, indeed, been demonstrated in the United Kingdom in recent years. It is, moreover, difficult to devise practicable methods of purposive differentiation among industrial sectors in the application of such measures.[63]

A general diffidence towards discriminatory treatment of different industrial sectors or branches is reinforced by the difficulty of establishing appropriate and acceptable economic criteria, so that the allocation of industrial investment resources seems most likely to be left largely to entrepreneurs' decisions and to the market forces which influence them. However, owing to market imperfections, a certain degree of differentiation is inherent in the way in which the restriction of credit is applied by banks. In rationing credit they can hardly avoid favouring the older-established and well-known firms at the expense of small and new firms ; and the effect has often been to strengthen the existing pattern of output and to make the introduction of new products depend on the initiative of larger firms in diversifying their production.[64]

As has been seen in the preceding section, one of the factors linked with the rate of industrial expansion has been the extent of structural change, which has varied greatly from country to country. Such change has been, and will continue to be, assisted in some countries by an ample labour supply. But with slower growth of total employment and output in some others, the adjustment to structural change in those countries will become more difficult, and any change in the pattern of final demand will be more likely to involve an absolute decline in output and employment in some industries and an actual transfer of workers. The maintenance or expansion of aggregate output and employment in such countries will therefore increasingly depend upon the effectiveness of policies to increase labour mobility; and considerable advantage could be reaped if more attention were given to restrictive practices and other impediments to labour mobility and higher productivity. Under favourable conditions of demand and profitability fiscal incentives and other government policies can help to create a greater willingness on the part of entrepreneurs to take risks and to use the technical opportunities for innovation and also a greater readiness to move out of branches in which demand and productivity rise relatively slowly and into the more dynamic branches of production. All measures which would remove or reduce rigidities in the structure of industry and trade — such as monopolistic practices — and in financial institutions would facilitate such structural change and hence promote over-all economic growth.

In the consumption field, opportunities for exerting a selective influence on the structure of demand are greater and these have, in fact, been widely used in the past. Hire purchase regulations affect mainly consumers' durable goods, and were applied in many countries during the boom to reduce demand for such goods in order to release resources for other branches of the engineering industry. Variations in indirect taxes and subsidies can be applied so as both to restrain demand for particular commodities and generally to raise or reduce consumers' purchasing power. However, increases in indirect taxes and cuts in subsidies have had the negative effect, in countries where cost-inflation was a major concern, of raising consumers' prices and setting off wage increases. The converse danger also exists, that subsidies applied to particular commodities figuring importantly in the cost-of-living index may help to check wage-cost increases only at the expense of an addition to demand pressures;[65] but this can be more readily counteracted, at least in principle, by direct taxation.

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[62] See Chapter III, sections 2-4 below.

[63] The degree of selectivity of which fiscal and credit measures and the control over capital issues are capable is inevitably restricted once these cease to be reinforced by direct controls over materials allocation and imports. The experience of a number of countries indicates that it is easier to influence the over-all volume of investment and to make a selection based on the credit-worthiness of the investor than to affect the distribution of investment by sectors.

[64] See *Economic Survey of Europe in 1955*, Chapter 4, p. 110.

Another sphere in which selective action can be effective is that of public expenditure. As can be seen from Table 11, investment in dwellings and public administration amounts to over one-third of gross capital formation in the majority of western European countries; and if investments in railways and road-building — included under transport and communications — are added, from one-third to a half of total gross capital formation can be regarded as being influenced directly or indirectly by public investment decisions. Expansionist public investment policies introduced as necessary, not only when the slow-down of private investment had already gone on for some time, but at a moment when its likelihood first became apparent, would have provided an important stimulus to the maintenance of over-all demand and output during the last year. The effective application of such contracyclical public investment policies, however, requires as a basis a better knowledge of private investment intentions than has generally existed so far, so that plans for public action can be made in advance of the need, and time given for necessary preparatory work on specific projects.

Policies on Wages and Prices

Even if a steady and balanced growth can be ensured by appropriate policies, the question remains whether such growth at high levels of employment can be achieved without cost and price inflation. As has been seen above, although policies of over-all restraint carried to the point of under-utilization of resources in a number of countries have slowed down wage increases, they did not equally succeed in slowing down wage-cost increases and, had there not been a very substantial decline in import prices, the domestic price level in these countries would have continued to rise. Attempts at securing various forms of agreement on a national wage policy in a number of countries[66] have only been partially successful so far; and it remains in doubt whether the moderation shown by trade unions in their wage claims in the course of 1958 was merely a reflection of the recent slack on the labour market and fear of a growth of unemployment or of a more lasting understanding of the alternative choices involved.[67] It may well be, however, that the experiences of the boom and the subsequent stagnation have created a growing awareness on the part of trade unions, employers and governments of the need for an agreement on the fundamental principles on which wages should be fixed; and the situation in the foreseeable future may be more favourable for the acceptance of such principles than would be a period of strong demand pressures.

Absolute stability of the general price level over any extended period of time may be an unattainable objective; but a closer approach to it than so far in the post-war period should not be unobtainable, if productivity increases could to some extent be reflected in lower prices. In recent years wage increases, whether spread over the year or based on agreements valid for one or more years, have tended to be fairly uniform among economic sectors and branches, the lead being given by one or two key sectors — generally those where the progress of output per man-hour exceeded the average for industry and certainly for the economy as a whole. In other words, unit wage costs increased in all but the more progressive sectors. Furthermore, the pressure of demand, and prevailing price policies, translated higher costs almost automatically into higher prices.

Given, first, the inevitable differences among branches of industry and other sectors, in the rate of growth of output per man which is due not to individual effort but to technological change and, secondly, the inevitability of variations in supply/demand relations for labour in the different branches, a simple agreement that wage increases should not exceed the rise of productivity in the branch concerned would neither be conducive to labour market equilibrium nor satisfy ideas of equity. The need is rather for arrangements both to hold the general rise of wages within the limits required for the attainment of over-all price stability and to strike a balance between the two objectives: to spread the benefits of productivity advances to all groups, and to promote the adjustment of labour supply to demand through the inducement provided by wage differentials. Such an arrangement would imply price falls in sectors where productivity rose fastest and price rises in some others. Such sectors where productivity rises only slowly, when faced with rising wage-costs will be under pressure to rationalize faster.

But the wage discipline necessary for such arrangements to operate successfully could only be expected if a corresponding restraint were also exercised by entrepreneurs in their price policies. To encourage this, the increased competition from imported goods resulting from trade liberalization could well be supplemented by measures, such as are, in fact, being introduced or extended in a number of countries, to limit monopolistic practices and by campaigns to make buyers more price-conscious.

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[65] The application of index-ties can have an automatic effect, either promoting or mitigating price inflation. When, for budgetary or other reasons, subsidies are reduced or abolished and indirect taxes raised, this imparts a sudden and automatic push to price and wage levels. On the other hand, the manipulation of the cost-of-living index through subsidies and the reduction of indirect taxes can halt the price/wage spiral or at least provide a certain breathing spell.

[66] The experience of national wages policy in the Netherlands, Sweden and Norway was discussed in the *Economic Survey of Europe in 1955*, Chapter 5. See also B. C. Roberts, *National Wage Policy in War and Peace*, London, 1958; and T. L. Johnston, "Wage Policies Abroad", *Scottish Journal of Political Economy*, Vol. V, No. 2, June 1958.

[67] See *Economic Survey of Europe in 1955*, Chapter 3, section 2.

If conditions more conducive to expansion at high levels of employment with price stability cannot be achieved by the means suggested above, the need will be the more urgent both for consideration of means of averting the more unfortunate social consequences of price inflation within a country and for international co-operation in mitigating the effects of balance-of-payments strains due to disparate rates of cost-price inflation from one country to another. The unpleasantness and partial ineffectiveness of the alternative of unco-ordinated policies of deflation needs no further demonstration.

CHAPTER III

ECONOMIC EXPANSION AND EXTERNAL BALANCE OF WESTERN EUROPEAN COUNTRIES

During the post-war years, as in earlier periods, the monetary authorities of several countries have at one time or another felt obliged by the state of the foreign accounts temporarily to dampen or even reverse the expansion of domestic demand and activity. Of this, developments during the 1950s in the United Kingdom, the Netherlands, and Denmark provide examples. However, it would appear to be only commonsense that a country which is capable of a rapid expansion of domestic output without creating inflationary pressures will also be able to achieve a strong balance of payments; and the course of events in western Germany and — on a smaller scale — in Austria, has shown that uninterrupted and rapid economic growth may, in fact, go together with an increasingly favourable balance-of-payments position.

The interrelations between domestic economic growth and foreign balance are far from being straightforward and simple. In general, the possible conflict between expansion and external balance is much more serious for the overseas primary exporting countries than for the countries of western Europe, especially those which are already highly industrialized. But the fact that within the last couple of years a weak or deteriorating foreign balance has in several western European countries motivated contractionary policies, and thus been a contributory cause of the gradual exhaustion since 1955 of the boom, shows the relevance and importance of the problem also to western Europe.[1]

In this chapter an attempt is made to examine, in the light of past experience, the interconnexion between economic expansion and the foreign balance, and the factors determining this relationship — questions whose relevance to the issues discussed in Chapter II is too obvious to require explanation. Section 1 of the present chapter deals with post-war developments in the balance of payments of the western European countries combined, and Sections 2 and 3 with differences of experience among individual countries and with the factors determining these differences: thereafter the final section discusses the adjustment of disequilibrium in international payments, the relationship between internal and external balance in individual countries and the chances of achieving in the future both steady expansion and international payments equilibrium on a western European and on a world-wide basis.

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[1] The United Nations *World Economic Survey 1956* analysed the balance-of-payments experience of both industrial and primary exporting countries.

1. THE BALANCE OF PAYMENTS OF WESTERN EUROPEAN COUNTRIES COMBINED

Changes in Reserves and in the Foreign Balance

Being composed of a multitude of independent states, western Europe has neither a common monetary system nor a single authority entrusted with the task of deciding and executing economic policies for the area as a whole. However, though economic structures, policies and experience exhibit striking differences as between countries, developments in the individual western European countries, and particularly in the OEEC member countries, are sufficiently closely interrelated to justify consideration of the area as to some extent an economic unit.

Immediately after the war, the official gross holdings of gold and foreign exchange of western European countries combined fell rapidly to a minimum of close to $8 billion in 1948. Since then, such reserves have risen steadily, with a temporary setback only at the time of the commodity boom called forth by the Korean war, and by the end of 1957 they had reached a level of more than $17 billion. A continued increase has taken place during 1958. But, as is well known, the rise in reserves has not been continuous and has been far from evenly distributed among the countries of western Europe. Western Germany alone accounts for well over half of the rise in total western European reserves between end-1948 and end-1957. Nonetheless, the reserves of most countries have been rising in recent years, and at the end of 1957 were appreciably higher than they had been in the earlier part of the last decade, even though in several cases the rise did not keep pace with the growth in the value of international transactions. However, the steep decline in French reserves after 1955 reduced them to lower levels than at any previous time in the post-war years; and though the position of the United Kingdom has recently improved appreciably, the reserves of that country have fluctuated rather widely, over the period as a whole, around a level of about $2.3 billion. The sterling devaluation in 1949 reduced the excess of sterling liabilities over gold and dollar reserves by about $4 billion, but since then the excess of liabilities has fluctuated between $6 and $8 billion, without any clearly marked long-term trend, reaching the lower limit in the second half of 1958.

Behind the reduction of international disequilibrium has been the continued, though not always steady and uniform, lessening of excess demand pressures in the domestic economies of the western European countries. As excess demand in domestic labour and commodity markets has been reduced, the capacity of national economies to adjust to changing circumstances has increased; and though the progressive liberalization of commodity trade and other international transactions has gradually narrowed the scope for government control of foreign balances by direct intervention, it has at the same time provided progressively larger scope for the operation of the price and market mechanisms in both the national and international fields.

It has been customary in discussions in recent years to seek an index of the comparative liquidity position of different countries, or of the changes over time in the position of any one country, in the size of gold and foreign exchange reserves in relation to the flow of imports. Yet, what such figures tend to illustrate is rather the enormous spread of the standards set by the monetary authorities of different countries when considering exchange reserves and the small importance of the mere size of such reserves, which is not a proper measure of liquidity. Relative to the flow of trade and other international transactions, reserves were larger in the inter-war period than in the last two decades before the first world war, but international liquidity was certainly more satisfactory in the earlier period.[2] On the international as on the national level, larger holdings of cash may not imply that liquidity has been improved or even maintained if maladjusted exchange rates, political disturbances or other circumstances have resulted in a lack of confidence and a consequent increase in the demand for cash. As it has been well put in a recent study, " the adequacy of reserves and the degree of liquidity depend upon the international environment, including, for example, the appropriateness of the structure of exchange rates, the extent to which balance prevails in international trade, and the presence or absence of that intangible, ' confidence ' ".[3]

Since the exchange crisis in the early autumn of 1957, the international liquidity position of western Europe has been considerably strengthened (as has been mentioned in Chapter II) and, by and large, the improvement has been such as to diminish the discrepancies in strength of western European currencies.[4] Though a major factor in this development has been the decline in the export surplus of the United States, it has also been closely connected with the improvement in western Europe's terms of trade in transactions with primary-producing countries. The recent gains in western European reserves at the expense of the United States have on balance increased international liquidity by reducing the differences in strength between the dollar and western European currencies, whereas western Europe's gains at the expense of the primary-exporting countries have had the opposite effect of further weakening already relatively weak currencies.

Change in gold and foreign exchange holdings from June 1957 to June 1958

Millions of dollars

United States [a]	−1319
Canada	−26
Continental western Europe [b]	+1926
United Kingdom [c]	+1314
Japan	−164
Industrial countries	+1731
Latin America	
Dollar countries	−333
Non-dollar countries	−185
Overseas sterling area	−943
Other countries	−151
Primary exporting countries	−1612

Source : International Financial Statistics, International Monetary Fund, December 1958.

NOTE.—The figures indicate changes in gold and gross foreign exchange holdings except for the United Kingdom and the United States.

[a] Including change in short-term liabilities held by official institutions.

[b] Including estimates for France.

[c] Including change in sterling liabilities.

The longer-term improvement in western Europe's balance-of-payments position is brought out by Chart 1, which shows the development in the balance of goods and services.

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[2] The greater international mobility of capital and some of the other reasons for this were set out in the *Economic Survey of Europe in 1957*, Chapter IV, page 3.

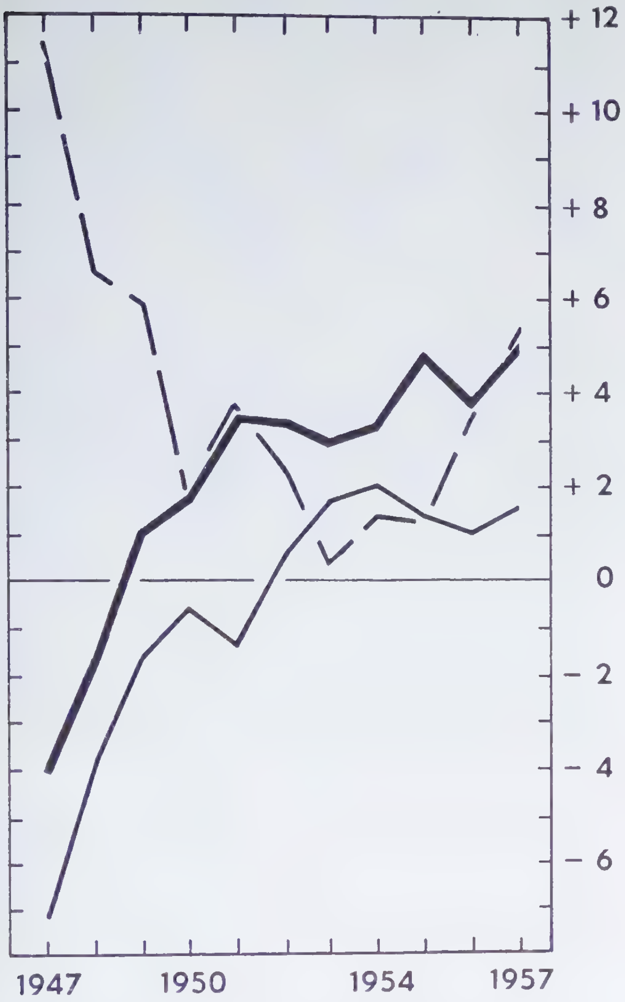
[3] *International Reserves and Liquidity*, A Study by the Staff of the International Monetary Fund, Washington, D.C., 1958.

[4] To this result the French exchange rate adjustment at the end of 1958 has further contributed. (See Sections 3 and 4 below.)

CHART 1

Net exports of goods and services of the United States and of OEEC countries combined

In billions of dollars at current prices and current exchange rates



Source : General Statistics, OEEC Statistical Bulletins, July 1958.

━━ OEEC foreign balance and stock increase
── OEEC foreign balance
— — United States foreign balance

To some extent the short-term fluctuations in the balance of goods and services have been matched by opposite fluctuations in the rate of inventory accumulation. In 1951 particularly, when the improvement in the balance of goods and services suffered a sharp but temporary setback, inventories were accumulated at an exceptionally high rate. Because imported raw materials account for a considerable part of variations in stocks and such variations are highly relevant to the international liquidity position of the importing countries, considerable interest attaches to the movement in the balance of goods and services plus inventory accumulation. The total of these two magnitudes rose rapidly until 1951 and after that year at a much slower rate. This development was rather closely paralleled by the rise in western Europe's savings as a percentage of its gross national product.

Uses of gross savings in OEEC countries combined

Percentages of gross national product at current prices

	1947	*1951*	*1957*
Inventory accumulation	2.2	3.0	1.4
Balance of goods and services	−5.0	−0.8	0.6
Total of above	−2.8	2.2	2.0
Gross fixed capital formation	15.2	16.4	19.0
TOTAL	12.4	18.6	21.0

Source : General Statistics, OEEC Statistical Bulletins, July 1958.

From 1947 to 1951 the share of gross national product saved rose by more than 6 per cent of GNP, and four-fifths of this rise was devoted to improving the balance of goods and services and to increased inventory accumulation. In the next period, from 1951 to 1957, the share of savings rose by an additional 2½ per cent of GNP and this increase was fully devoted to fixed capital formation, the further improvement in the foreign balance being matched by a decline in the share of stock accumulation from the exceptionally high level of 1951.

Developments in the two periods thus fall into a logical pattern. After the war, output rose from low levels, pre-war per capita output being reached and surpassed only after 1949. Though the monetary policies of the time reflected this poorly, capital scarcity was acute in the early post-war years. With rapidly rising total output in the reconstruction period, the share of savings in total income grew strongly and this increase was primarily devoted to meeting the most urgent needs — the improvement of the foreign balance and the increase of goods in process and other stocks. With the substantial completion of post-war reconstruction, excess demand pressures eased in consequence of both a rise in savings and a decline in capital scarcity. As the intensity of demand fell off and the structure of investment shifted towards longer-term, slower yielding types, the increase in total output slowed down. In the United States the earliest post-war phase came to an end with the recession of 1949. In western Europe the corresponding change occurred some two years later and happened to coincide closely with the post-Korean recession. It appears plausible that, even in the absence of that event, the early 1950s would have witnessed a decrease of demand pressures in western European labour and commodity markets accompanied by a pause in the rise of prices and of activity.

These broad influences which have acted upon the balance-of-payments position of the western European countries combined have also, though to a varying degree, been reflected in the experience of most individual countries. The improvement of the balance of goods and services from the last half of the 'forties to the 'fifties is an almost universal occurrence and, similarly, there was a dominating pattern in the impact of the Korean commodity boom on the foreign balances of individual countries.[5]

Almost all western European countries participated in the expansion of activity from 1953 onwards. In France and western Germany, developments and circumstances peculiar to each country dominated their balances of payments; but among the other countries also the character and magnitude of changes in the external balance exhibited appreciable differences connected with disparities in rates of expansion, structure of trade and other characteristics. In most countries the rate of growth of aggregate demand reached its maximum in 1955; and in Austria, western Germany, Sweden, and the United Kingdom large increases in stock building led to a deterioration of the foreign balance in 1955, whereas in Belgium rising foreign demand caused a strong increase in exports partly supplied from stocks.

In the following table the singularities of the French and west German developments stand out.

Balance of goods and services of western European countries [a]

Annual averages in millions of dollars

	1952-1953	*1954-1955*	*1956-1957*
Western European countries combined	+588	+1040	+947
of which :			
France	−348	+436	−930
Western Germany	+769	+825	+1572
United Kingdom	+425	+255	+842
Other countries	−528	−476	−537
of which :			
Southern European countries	−961	−620	−666
Others	+703	+144	+129

Sources : Balance of Payments Yearbook, IMF.

[a] Excluding Spain.

During the period the southern European countries were consistently in deficit on goods and services as was also the, largely overlapping, group of countries with a relatively high share of the active population engaged in agriculture. On the other hand, the smaller countries of central and north-western Europe achieved a surplus, though a declining one due primarily to decreases in the surpluses of the Netherlands and Switzerland. The big increases in the deficit of France and in the surplus of western Germany constituted the only major, but important, intensifications of imbalances in intra-western European payments. Other major changes — the substantial, but presumably largely temporary, deterioration of the balances of the Netherlands and Switzerland and the improvements in the external balances of the United Kingdom and Italy — did not on balance add to, but rather reduced, international disequilibrium. Furthermore, with the notable exception of France, most countries were able to relax considerably their trade and exchange restrictions; and though in a number of countries contractionary policies were applied, especially towards the end of the period, these policies did not in general result in any significant under-utilization of resources, except in a few countries.

The Balance of Payments of Western Europe with the United States

As appears from Chart 1, the improvement during the last part of the 'forties and the first half of the 'fifties in western Europe's balance of goods and services was roughly matched by the reverse change in the foreign balance of the United States during the same period, the positive balance of the two areas combined showing a moderately declining trend, though if deflated by the export prices of the industrial countries the decline was more considerable. After 1955 the surplus of the two areas combined increased steeply. In 1956 and 1957 this rise was entirely accounted for by the United States, but in 1958 the picture changed, with the United States surplus falling and that of western Europe increasing.

During the major part of the post-war period the short-term changes in the global balances of goods and services of the United States and of western Europe have very largely been accounted for by the changes in the balance between these two areas. This is brought out for the OEEC countries by Chart 2, from which it is at once evident that trade with the United States, though amounting to only about 20 per cent of the combined trade of the OEEC countries with other areas, accounts for most of the fluctuation in their balance of trade.

The role played by the balance between the United States and western Europe in the fluctuations in the foreign balance of the United States was somewhat less pronounced. However, transactions with western Europe accounted for well over half of the steep decline from 1948 to 1953 in United States' net exports of goods and services. In the subsequent rise of these exports, the role of western Europe was less dominating, large parts of the rise being accounted for by transactions with Latin America, Canada, and Far Eastern countries.[6] However, it is certainly true

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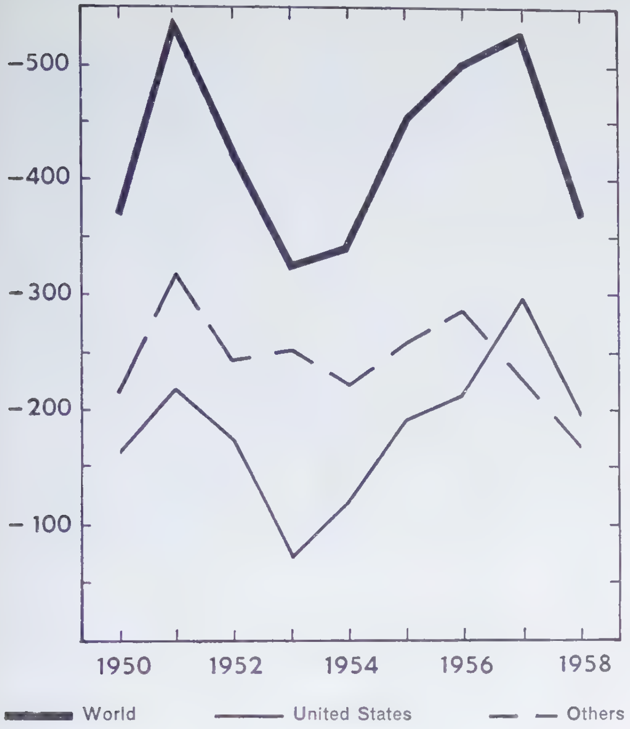
[5] In a few countries, especially the Scandinavian exporters of forestry products, the positive impact on exports preponderated over the rise in imports.

[6] An appreciable rise occurred in the United States Government grants to China (Taiwan), South Korea, Japan and Viet Nam.

Chart 2

Trade deficit of OEEC countries combined with the World, the United States and other areas, 1950 to 1958 [a]

Monthly averages in millions of dollars at current prices



Source : General Statistics, OEEC Statistical Bulletins, July 1958.
[a] January–April average.

for the United States, as it is for western Europe, that the fluctuations in its balance with all other industrial countries (including Canada and Japan) account for an appreciably larger part of the fluctuations in its global balance of goods and services than corresponds to the share of those countries in its total foreign transactions.

Since the foreign balance of any area equals the difference between savings and investment in that area, and since within the world economy only a small fraction of total savings and investment takes place outside the industrial countries, the scope for fluctuations in the foreign balance between industrial and non-industrial countries is quite narrow relatively to the possible fluctuations between the two major industrial areas, the United States and western Europe. This conclusion may be reached also on the basis of liquidity considerations: about four-fifths of national gold and (gross) foreign exchange reserves are held by industrial countries and only about one-fifth by primary-exporting countries. The facts of relatively low reserves and low savings ratios in the less economically developed countries are, of course, closely related, both reflecting low levels of real income.[7]

What the above argument in monetary terms shows is only that in the short run any large-scale change in the foreign balance of western Europe must largely be balanced by an opposite change in the foreign balance of the United States, and vice versa. But it does not say in what proportions the change will take place via the bilateral transactions between the United States and western Europe on the one hand and, on the other, multilaterally through opposite changes in the foreign balances of the United States and western Europe with other areas. Actually, as has been seen, the bilateral changes have dominated.

Table 1 shows the balance of payments of western Europe with the United States in four selected years of the last decade. In every year since 1949, except 1951, the gold and dollar holdings of western European countries combined have increased, although with considerable variations in the rate of increase which have largely reflected the fluctuations in the balance of goods and services on civilian account. On the other hand, since 1950 the annual total of United States external payments on account of military expenditures and government grants and credits has kept within the relatively narrow limits of $2.2–2.7 billion, the rise in military expenditure having roughly balanced the fall in grants and credits.

Whereas the changes in the balance of services on civilian account have been small, the trade balance has fluctuated widely, mainly owing to changes in western Europe's imports from the United States. Apart from a minor setback from 1953 to 1954, at the time of the second post-war recession in the United States, western Europe's exports have increased steadily and were quite well maintained even in 1957/58. Western Europe's imports have varied strongly in response both to normal changes in economic activity in western Europe and to the Korea and Suez crises. Analysing the trade by commodity groups it is found that agricultural and industrial raw materials and semi-manufactures, rather than manufactures, are the volatile elements in western Europe's imports from the United States. As the western European economy in the post-war period has generally operated at high employment and capacity utilization levels and is dependent upon imports from the outside world for a considerable part of its supplies of primary and some intermediate goods — and especially so at high activity levels — changes in the internal balance between demand and supply have had a strong impact on overseas trade.

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[7] A given change in the transactions between the industrial and the primary exporting countries will for these reasons tend to affect more strongly the domestic economic developments of the latter than of the former countries.

TABLE 1

Balance of payments of western Europe with the United States

Millions of dollars

	1949/1950 [a]	1953	1955/1956 [a]	1957/1958 [a]
Imports from the United States	−3 323	−2 992	−4 685	−4 994
Exports to the United States	+905	+2 278	+2 721	+3 063
Trade balance	−2 418	−714	−1 964	−1 931
Services net (excluding United States military expenditures), and private remittances	+317	+393	+439	+173
Balance of goods and services on civilian account	−2 101	−321	−1 525	−1 758
United States military expenditures in western Europe	+206	+1 171	+1 762	+1 730
Balance, including military expenditures	−1 895	+850	+237	−28
United States Government grants and credits (excluding military aid)	+3 648	+984	+606	+499
United States private capital:				
Long-term	+159	−129	+268	+274
Short-term	−74	+26	+76	−30
Change in long-term dollar assets	−95	−97	−248	+10
Change in short-term dollar balances and gold	−875	−1 969	−729	−1 684
Errors, omissions and inter-regional transfers	−868	+335	−210	+959

Source : Survey of Current Business, United States Department of Commerce, September 1958.

[a] Twelve months from 1 July to 30 June.

The United States has been in a unique position to satisfy sharp increases in western Europe's demand for imports — whether called forth by normal changes in economic activity or by political events: first foreign trade is small in relation to domestic output in the United States, secondly, it has generally operated at lower employment and capacity utilization levels, allowing an elastic response to rising export demand, and, last but not least, the particular form of agricultural protection in the United States has made possible very large short-run changes in exports of agricultural commodities, with a minimum of disturbance to the domestic market.

In view of the large fluctuations in the trade balance and its evident sensitivity to changing demand pressures in western Europe, it is hardly possible to derive from the developments of the last decade any long-run trend to be projected into the future. It is, however, worth noting that even though western Europe's import surplus rose rapidly after 1953, western Europe's exports as a percentage of its imports in trade with the United States have from 1952 consistently been above the levels prevalent before that year. In 1957/58, when western European activity levels were definitely above that in the United States, the share of western European imports from the United States covered by exports was significantly higher than in 1955/56, when activity expanded rapidly in both areas, and more than twice as high as it had been in 1949/50 when, moreover, the absolute real value of the trade deficit was much larger than in recent years.

At the same time important changes have occurred in the commodity structure of the trade. The changes in western Europe's trade deficit in recent years were mainly accounted for by non-manufactures. During the 'fifties, however, western Europe reversed its trading position *vis-à-vis* the United States from that of a net importer of manufactures to that of a net exporter. An improvement took place in every one of the twelve groups of manufactures, except chemicals, defined in Table 2 as commodity groups Nos. 8-19 inclusive.[8] This was accompanied by an appreciable substitution of western European for United States exports of manufactures in third markets. From 1952 to 1957 western Europe's share of the combined exports of manufactures (at 1950 prices) of western Europe and the United States to

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[8] See Appendix Table XIV.

TABLE 2

Exports of nine western European countries [a] and the United States in 1957

Index numbers, 1952=100, based on values f.o.b. at 1950 prices

Commodity group [b] — Area of destination	Canada		Latin America without Venezuela	
Area of origin	Nine European countries	United States	Nine European countries	United States
8. Metal manufactures	121	93	88	83
9. Power-generating (except electrical) machinery	205	125	132	119
10. Agricultural machinery	93	77	102	82
11. Metal-working, mining, construction and other industrial machinery	145	126	95	108
12. Electrical machinery	191	120	135	86
13. Tractors	75	90	118	107
14. Railway vehicles	292	134	122	174
15. Road motor vehicles			104	107
16. Other vehicles			144	230
17. Chemicals	242	137	241	134
18. Textile manufactures and clothing	133	98	76	68
19. Paper, manufactures of wood and paper (excluding furniture)	344 [c]	153	180	92
Total exports (including unspecified)	168	130	125	114

Source: Appendix Table XIV.

[a] Belgium-Luxembourg, Denmark, France, western Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom.

[b] Numbering and definition of commodity groups are identical with those used in the source.

[c] Less than $1 million in 1952.

primary exporting countries rose from 64 per cent to 68 per cent. As appears from Table 2, western European exports of manufactures to Canada and Latin America — markets in which United States exporters are for good reasons supposed to enjoy special advantages — generally fared better than those of the United States between 1952 and 1957, even in commodity groups where exports from the two areas combined fell.

In spite of the almost uninterrupted rise during the last decade in the gold and dollar reserves of western European countries, it is sometimes stated that in some sense western Europe still suffers from a structural dollar deficit or shortage and that dollar balance is maintained temporarily, or artificially, only by virtue of the fact that the United States Government annually expends some $2½ billion in external military expenditure, and in grants and credits, the military expenditure accounting for by far the larger part of the total.

It is, of course, true that the sudden discontinuation or rapid decline of the military expenditure would have severe repercussions on the western European economy. Given the fact of the continued steady flow of United States Government payments, it could not sensibly be expected that the recipient economy should behave as if these payments did not take place, in the sense that the flow of these payments was annually added to reserves — ignoring, incidentally, that American military expenditure involves a demand on western European resources. One might, indeed, as well choose to abstract from that part of western European exports to the United States which is derived from the domestic military expenditure of the American Government. The decisive consideration is that roughly half of United States exports and the overwhelming part of those of western Europe consist of goods, the export demand for which — given time for adjustment — is highly sensitive to changes in relative prices.

If a gradual decline in the volume of United States Government payments to western Europe should take place, the substitution between American and western European exports should certainly prove sufficient to allow a relatively smooth adjustment. To what extent this adjustment would take place bilaterally or multilaterally via third markets would depend upon a great many factors such as the relative flows of United States and western European capital exports, the trade policies pursued in both areas, and the relative levels of economic activity. Since the large-scale devaluation of western European currencies in 1949, a process of substitution of western European exports for those of the United States has been going on and there are as yet no definite signs that it is coming to an end. Thus, present long-term trends may well be interpreted as pointing towards a further reduction of the difference in strength between the dollar and the western European currencies.

2. Economic Expansion and the Foreign Balance

For a number of reasons, a confrontation of the balance-of-payments positions of individual western European countries in the 1950s and their rates of growth of total output during the same period does not by itself reveal any relation between domestic expansion and foreign balance.[9]

This is no cause for surprise, considering that the character of a process of expansion — for instance, whether it has its origin in a favourable development in export markets or it is called forth mainly by a rise in public expenditures — must decisively affect its impact on the balance of payments. Furthermore, the multitude of factors, other than the rate of economic growth, affecting the balance of payments may overshadow whatever relationship there may be between economic expansion and foreign balance. It may therefore be worth while to investigate the possible influence on the foreign balance of factors such as the economic structure or stage of development and then, after having taken into account the operation of such factors, to return to the question of the interrelations between expansion and the external position.

Table 3

Foreign balance of goods and services, total gross savings, and share of active population in agriculture

Percentages

	Share of active population in agriculture.[a] Average 1950-1956	Gross savings as percentage of gross national product at market prices, 1950-1956	Balance of goods and services as percentage of gross national product at factor cost, 1950-1956
United Kingdom	5	15	0.7
Belgium	11	18	1.5
Netherlands. . .	13	26	1.7
Switzerland . . .	16	27[b]	2.8
Sweden	19	21	0.5
Western Germany	21	25	2.7
Group range .	5 to 21	15 to 27	0.5 to 2.8
Group average	14	22.0	1.6
Denmark . . .	25	18	−0.8
Norway	26	27[c]	−3.2
France	27	18[c]	−0.2
Austria	32	19	−4.3[d] 0.5[e]
Italy	37	19	−1.9
Ireland	39	7	−8.3
Group range .	25 to 39	7 to 27	−8.3 to +0.5
Group average	31	18.0	−3.0
Portugal	49	11[c]	−4.3
Greece	56	7	−10.0
Turkey	71	10	−2.3

Sources: General Statistics, OEEC Statistical Bulletins, September 1957 and July 1958, and *Agricultural and Food Statistics*, OEEC, 1956.

[a] Including forestry and fishing, except for France.

[b] 1954-1955. [c] 1952-1956. [d] 1950-1952. [e] 1953-1956.

Economic Structure and Foreign Balance

As a rule, international capital flows from the richer and more developed countries to the poorer and less developed areas, the first then having a surplus balance of goods and services and the latter a deficit. This relationship between the stage of economic development and the state of foreign balance holds not only between large groups of countries but is present also as an effective tendency among the individual countries of western Europe. In Table 3, fifteen western European countries have been arranged in ascending order of the share of the total civilian labour force in agriculture, this structural characteristic providing a simple and acceptable (inverted) index of the stage of development. The table shows the clear tendency towards a more positive foreign balance in the highly industrialized countries than in those with a fairly large share of the labour force in agriculture,[10] though it also reveals the expectedly large deviations of individual countries, whether due to the special short-term influence of international economic events, the particular economic policies pursued, or other factors.

It is hardly adequate to explain the different balance-of-payments performances of " industrial " and " agricultural " countries on the basis of the differences in export structures — the industrial countries benefiting from a large share in their exports of goods enjoying a rapidly expanding world demand or, for short, having a larger share of " dynamic " commodities in their exports. This would be an example of the reasoning frequently applied that the better or poorer export performance of different countries is in large part accounted for by differences in export structures as to commodities and areas of destination. While no attempt has been made to investigate this assumption for all countries of western Europe, a summary analysis has been made covering the exports of nine selected countries.[11] For the countries and the period covered, the influence of the export structure was found to be rather small. The countries with an above average export performance in total generally performed better than the others in each export group as defined by commodities and areas of destination.

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[9] *World Economic Survey 1956*, United Nations, New York, 1957, Chapter 2, pp. 41-42.

[10] The coefficient of correlation between the share of active population in agriculture and the foreign balance in per cent of GNP is −0.61, which is improved to −0.72 if the extreme, and in several respects special, cases of Greece, Portugal and Turkey are excluded. The inclusion of private donations in the foreign balance does not significantly affect these results.

Whether a country is in a favourable external position depends not upon its export structure alone, but rather upon the structure of its total output to which, again, is related the structure of its whole foreign trade — that is, both its exports and its imports. If a country has a highly developed production structure then the demand for its output will increase at a relatively rapid rate as real income expands at home and abroad. Then, if a large part of its exports are agricultural products or other " non-dynamic " goods, evidently domestic supply will to a large extent meet domestic demand for income-elastic goods, thus moderating the rise of imports consequent upon expansion. If, on the other hand, goods with a high income elasticity of demand make up the bulk of exports, exports will rise strongly in response to rising world activity; but given the output structure, and with a rise both in output exported and in domestic demand, imports must rise rapidly also. Indeed, if the structure of exports as distinct from that of output was important, the dollar should not be a strong currency.[12] But if a country has an undeveloped production structure, it can satisfy a rise neither in foreign nor in domestic demand for the " dynamic " goods.

There is an additional and related reason why, in general, the foreign balance of the highly industrialized countries is more favourable than that of the less economically developed countries. A higher level of economic development implies a higher level of per capita real income and this, in general, a higher share of total savings in total income. It is therefore to be expected that the more developed countries will be exporters of capital and have a correspondingly favourable foreign balance and that the reverse will be true of the less developed countries. However, to judge from the data provided in Table 3, though the rate of gross savings appears related to the level of development (as measured by the share of the labour force in agriculture) the relationship is by no means a close one. Apart from imperfections in the comparability of the figures, the weakness of the relationship is primarily due to differences among individual countries in the policies pursued in the investment field and particularly regarding exchange controls and other regulations relating to capital movements. Examples of the influence of such factors are provided below in Section 3, particularly in the sub-sections on Italy and Norway.

The Growth of Output and the Foreign Balance

If the influence of the degree of development (as expressed by the share of the labour force in agriculture) on the foreign balance is taken into account, a definite, though not very close positive relationship is found between the balance of goods and services and the rate of growth of output. In countries at about the same level of economic development, rapid expansion of output tends to be associated with a favourable foreign balance.[13] This association of a rapid growth of output with a favourable foreign balance should hardly be conceived as a cause-and-effect relationship. It is tempting to view the two phenomena as the simultaneous effects of an immediate common cause: the rate of growth of exports.

From the figures in Table 4 it appears readily that the rates of growth of exports and of gross national product are positively connected. The rate of increase of exports has usually been about two to three times that of GNP; and in most countries the excess has been largest in the early part of the period, reflecting the OEEC trade liberalization policy and the generally rapid expansion of international trade in these years.

In most western European countries the rapid increase in export volume has undoubtedly been one of the factors contributing to the expansion during the 'fifties, and this in two ways. The increasing flow of exports has, through its direct effects on the flow of incomes and the level of demand, stimulated the growth of output; and the relatively stronger rise in foreign trade than in domestic output has involved a rise in productivity in consequence of the increased division of labour.

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[11] Belgium-Luxembourg, Denmark, France, Germany, Italy, the Netherlands, Norway, Sweden and the United Kingdom. The sequence of the countries by size of actual increase in exports at constant prices from 1952 to 1956 was compared with the sequence on the basis of the export rise computed from a standard distribution of exports by commodity groups and destinations, applying to each group the actual relative rise in exports from the country in question. Only Denmark had a different place in the two sequences.

[12] The case of changes of relative world market prices illustrates and confirms the above argument. If, in consequence of international expansion — or, for that matter, for other reasons — the relative price in world markets of a certain commodity rises, then this constitutes a gain to all countries producing that commodity proportionate to their output of it.

[13] For the period 1950-1956 and the countries of western Europe (including Italy but excluding the rest of southern Europe, Finland and Iceland) the regression was determined by the method of least squares of (x_1) the balance of goods and services as a percentage (average for period) of GNP at factor cost in current prices, on (x_2) annual percentage compound rate of growth of GNP in constant prices, and on (x_3) the percentage of the active population in agriculture. The regression plane found was $x_1 = 0.44\,x_2 - 0.20\,x_3 + 2.11$, and the coefficients of correlation were:
$r_{12} = 0.46$; $r_{13} = -0.72$; $r_{23} = 0.11$; $r_{1.23} = 0.86$;
$r_{12.3} = 0.56$; $r_{13.2} = -0.86$; $r_{23.1} = 0.50$.

TABLE 4

Rates of growth 1950 to 1956 of gross national product and exports at constant prices

Percentage annual compound rates

Country	Gross national product at factor cost	Exports of goods
Austria	5.1 [a] 8.2 [b]	15.1
Belgium	3.5	8.6
Denmark	1.7	6.2
France	4.5	4.0
Western Germany	9.4	19.7
Greece	6.4	13.2 [c]
Ireland	0.9	5.5
Italy	7.0	8.1
Netherlands	4.3	10.1
Norway	2.9	5.6
Portugal	3.5	4.6
Sweden	3.0	4.4
Switzerland	5.3	8.8
Turkey	6.4	1.2 [d]
United Kingdom	2.9	2.0

Sources : General Statistics, OEEC Statistical Bulletins, January and July 1958.

[a] 1950-1952. [b] 1953-1956. [c] 1951-1956. [d] 1950-1955.

In two countries, Denmark and the Netherlands, exports at constant prices as well as imports have even increased in absolute terms as much as, or slightly more than, gross national product during the 'fifties, and the share of national expenditure met from domestic output has been stable or even decreased. In Belgium, Iceland, and Norway, by far the larger part of the increase in domestic expenditure has been met from imports. Particularly in those five countries, but to a lesser extent in all countries except Turkey, the increased share of imported commodities in total domestic expenditure is evidence of an increased international division of labour. The liberalization of foreign trade, promoted by the endeavours of the signatories of the General Agreement on Tariffs and Trade, by the OEEC and by the International Monetary Fund, has been accomplished during the 'fifties without any damage to the domestic economies of western Europe—on the contrary, it seems to have given an appreciable support to economic expansion.

The crude indicators of productivity available would appear to indicate a fairly strong tendency towards a more rapid productivity rise in the countries where foreign trade has increased strongly relatively to GNP. It should, moreover, be remembered in this connexion that a large part of the gains from the increased international, and particularly intra-European, division of labour has taken the form of the availability of a wider choice and an improved quality of consumers' goods, neither of which phenomena finds adequate expression, if any, in productivity statistics.

However, in spite of what is said above, the rapid growth of total output together with a favourable foreign balance can hardly be explained as common effects of a rapid growth of exports, and for three reasons. First, while it may be perfectly acceptable to explain economic expansion in any single country as an effect of the growth of exports, this comes dangerously close to being a circular explanation for western Europe as a whole, in view of the crucial rôle played by the industrial countries in the determination of international activity levels.[14] Secondly, the relaxation or abolition of import restrictions has been an independent cause of a rise in imports, which has neutralized a smaller or larger part of the effect of export expansion on the domestic flow of money incomes even though it has greatly promoted the rise in productivity. Thirdly, the main factors affecting the foreign balance may as well influence imports as exports, though for obvious reasons most investigations of the competitive positions of countries have been based on their export rather than their import performance.[15]

The concept of competitiveness may be defined so inclusively that it becomes tautologically true that the countries with the stronger foreign balance have been those enjoying the better competitive positions. On the other hand, attempts to investigate separately the influence of various elements, and especially the important one of prices,[16] in the competitive position of countries have always proved difficult and yielded rather uncertain results. The foreign balances of countries for any period will depend both on the relative cost levels and on the rates of change in these. But while the rates of changes in costs and prices may be measured with a fair degree of accuracy, it is in general an almost impossible task to arrive at tolerably definite statements of the relations between absolute costs in different countries.

None the less, it is of some interest to note that among the industrialized western European countries

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[14] See Section 1 above and also *Economic Survey of Europe in 1957*, Chapter IV, Section 1.

[15] Though the rate of growth of total output is positively correlated with the position of the foreign balance and also with the rate of increase of exports, these last two exhibit only the weakest of relationships — a state of affairs which is, of course, possible only because there is quite a bit of " play " in the first two relationships.

[16] See, for instance, the discussion in *World Economic Survey 1956*, p. 73, and " Changes in Competitive Strength and Export Shares of Major Industrial Countries " by J. M. Fleming and S. C. Tsiang, *Staff Papers*, International Monetary Fund, August 1956.

TABLE 5

Rise in price index of gross national product and in population in active age groups, 1950 to 1956

Percentage annual compound rates

	Price index of gross national product at factor cost	Population in active age groups (15-64)
Western Germany	3.1	1.2
Switzerland	1.3	1.0
Italy	2.7	1.0
Netherlands	3.8	0.9
Sweden	5.6	0.4
Denmark	3.7	0.5
Group range	1.3 to 5.6	0.5 to 1.2
Group average	3.4	0.8
Norway	5.6	0.4
Austria	7.2	0.2
Belgium	2.6 [a]	0.1
France	7.9	0.3
United Kingdom	4.9	—
Ireland	3.7	−0.9
Group range	2.6 to 7.9	−0.9 to +0.4
Group average	5.3	—
Greece	11.7	1.6
Portugal	0.5	1.0
Turkey	8.7	2.3

Sources : General Statistics, OEEC Statistical Bulletins, and *8th Annual Report,* OEEC, Paris, 1957.

[a] At market prices.

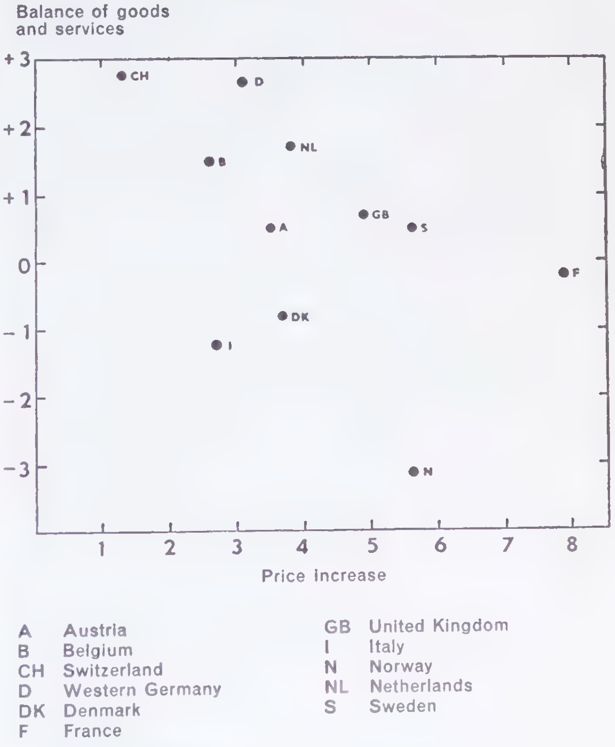
covered by the data in Tables 3 and 5 a negative relationship, though not an impressively close one, is to be found between the surplus on account of goods and services and the rate of increase of the price index of gross national product (see Chart 3). This relationship may plausibly be interpreted as indicating not only that the countries with a low rate of increase in costs and prices have been more price- and cost-competitive than those with higher rates of price and cost increases, but also that the same demand pressures which have contributed to rising prices and costs have, by their direct action on imports and exports, affected the foreign balance. It further appears from Tables 3 and 5 that the rate of increase in costs and prices tends to be relatively high in the countries with a relatively low rate of increase in the labour supply, and also that the rate of increase in total (and per capita) output tends to be relatively high where the labour force grows rapidly.

On the basis of these data the following chains of causation may be suggested as a partial explanation of the association of high rates of growth of total output with favourable foreign balances. A rapid growth of labour supply provides wide scope for investment through so-called widening rather than deepening of capital, that is without an increase in capital in proportion to labour and any consequent downward pressure on the relative return to capital. Thus, the inducement to invest may be expected to keep at high levels. At the same time, it is a plausible assumption that the rate of growth of the labour supply will affect the relative bargaining positions of employers and wage-earners and result in the observed tendency towards a slower rise in money wages where labour supply increases rapidly. This slower rate of wage inflation will again tend to improve the competitive position and strengthen the foreign balance. Thus, to a certain extent the double process of domestic economic expansion and of an improving foreign balance will be cumulative: rapid growth of output, and in particular of investment, will result in a low average age of plant and physical capital generally, with a favourable effect on productivity. The further effects will be both increased competitiveness, to the benefit of the foreign balance, and a more rapidly expanding flow of savings for the financing of domestic

CHART 3

Balance of goods and services as a percentage of gross national product and annual percentage price increase in industrial western European countries, 1950-1956

Percentages



Sources : Tables 3 and 5.

investment and of the improvement in the foreign balance.

The interactions set out above may be conceived as the automatic mechanism by which in the international economy an increased labour supply in the industrial countries is absorbed in the process of production; and the mechanism makes economic sense in so far as it implies the assumption that money wages, or rather their rates of change, respond to the market position as does the price of any commodity, and that demand responds to price.

But at the same time the interrelations sketched above may be characterized as perverse. Surely, in industrial countries a rapid increase in the labour supply is to be considered a factor contributing to the demand for capital, and thus tending to raise domestic investment relatively to savings, and thereby calling for capital imports and exerting pressure on the foreign balance. In other words, whether a particularly rapid increase in the supply of labour (or other changes which tend to raise the rate of profit) will on balance lead to an improvement or a deterioration in the foreign balance, will depend upon the international mobility of capital relatively to the combined responsiveness of wages to labour market conditions and of foreign trade flows to international cost differentials. Thus, in North America during the 1950s both the labour force and total output in Canada have grown at a more rapid rate than in the United States and, as the mobility of capital has been high between the two countries, capital has flowed from the United States to Canada. In this area the international adjustment mechanism has functioned in a fashion similar to its operation in western Europe before the first world war and — though much less effectively — in the last half of the 'twenties and, indeed, similar to its operation between regions of a single country. On the other hand, the mobility of capital during the post-war period has generally been quite low between the countries of western Europe, in the sense that capital movements have not been very responsive to interest and profit-rate differentials. With one crucial link immobilized, the international adjustment mechanism has become distorted. No case illustrates this more forcibly than that of western Germany during the 'fifties.

The preceding analysis of the tendencies interrelating growth of labour supply, foreign balance and growth of output was based exclusively on data concerning the countries of western Europe; and it does not apply to, and could not be substantiated by data concerning, the non-industrial, under-developed countries overseas nor, indeed, the non-industrial southern European countries. In fact, it might serve as a defining characteristic of an under-developed economy that the demand for labour does not show a significant positive response to an increase in its supply, which is already in excess.

A main conclusion to be drawn from the above is that, owing to the position of western Europe in world trade and to the structure of the European economy, an improvement in the international position of western Europe as a whole, as well as in that of any of the individual countries of the area, is not in conflict with a rapid expansion of activity even though expansion is not a necessary pre-condition for such an improvement. The performance of individual countries is largely dependent upon the extent to which price stability during a period of rapid expansion can be maintained, either by support from a high elasticity of domestic supply or by temporary recourse to external resources.

Expansionary Impulses and Foreign Balance

In a market economy, an expansion in economic activity presupposes an increase in total effective demand. Although generally higher levels of money incomes and prices cannot contribute to the attainment of final equilibrium (except as an adjustment of flows to a given value of the quantity of means of payment and other claims defined in monetary units), in a process of economic change a time rate of increase in prices is among the adjustments through which changes in demand are met. Thus, a given rise in monetary demand and expenditure may call forth a large or a small increase in prices, depending upon the elasticity of domestic supply and the actual resort to external resources. In an open economy the expansionary impulse may for any period be identified — quite crudely — with the rise in national expenditure and in exports of goods and services over the preceding period. The impulse may then be met in any proportion through an increase in the volume of domestic supply, an increase in imports of goods and services, and a rise in the prices of domestic supply of goods and services. Only the first two elements increase the real supply, and only the rise in domestic supply — whether for use at home or abroad — signifies an increase in domestic activity, that is, an expanding use of domestic resources.

An international and a national margin for domestic expansion may be distinguished, the first referring to the limits set to expansion by considerations of the international liquidity of the country, and the second referring to the scope for expansion allowed by the unexploited domestic employment and productivity potential. Though the ideal state of affairs is one in which idleness keeps at a low and unchanged level and that degree of external liquidity is maintained which is judged desirable, it is in fact the exception rather than the rule for both national and inter-

TABLE 6

Shares of individual countries in intra-western European and in World imports, and of exports in gross national product

Percentages

Country	Share in intra-western European imports [a] July 1957-June 1958	Share in World imports [b] July 1957-June 1958	Exports of goods as percentage of gross national product at market prices 1956
Austria	3.4	1.1	20
Belgium-Luxembourg. .	8.8	3.2	31
Denmark	4.0	1.3	25
Finland	1.9	0.8	19
France	8.9	5.7	9 [c]
Western Germany	16.6	7.3	17 [c]
Greece	1.6	0.6	8
Iceland	0.2	0.1	23
Ireland	1.9	0.5	20
Italy	7.1	3.3	10 [c]
Netherlands . . .	9.8	3.7	35
Norway	4.0	1.2	21 [c]
Portugal	1.4	0.5	16
Spain	1.9	0.8	. .
Sweden	6.8	2.3	21
Switzerland . . .	6.1	1.8	21
Turkey	1.1	0.4	3
United Kingdom.	13.1	10.5	16 [c]
Yugoslavia . . .	1.4	0.7	. .
Total western Europe	100.0	45.8	. .

Source : General Statistics, OEEC Statistical Bulletins.
[a] Imports f.o.b. [b] Imports c.i.f. [c] 1957.

national margins to be operative. If policies of domestic expansion have been hampered — and not just imagined to be so — in any country by balance-of-payments difficulties, this means that the international margin has been so narrow as to make the national margin inoperative. Clearly, however, the margins are not demarcated sharply, but rather by broad bands, and they are mutually related. In otherwise similar circumstances the impact of domestic expansion on the external balance will be smaller if the elasticity of domestic supply is high than if it is low. Furthermore, developments which strengthen the balance of payments may enter as a part of the expansion in a country and thus continuously maintain the international margin for further expansion. If a rise in total activity is called forth by a rise in exports, this will by itself widen the international margin which, on the other hand, will be narrowed if the expansionary impulse is, say, rising government demand for the output of export industries.

Further, whereas for any individual country the international margin indicates a genuine actual or potential limit to expansion, for the group of all the industrial countries combined it follows from the nature of their relations with the remainder of the world economy that, generally, the limits to expansion are set not by any international margin but by the available labour and physical resources in the industrial countries. Though the same is not quite true for western Europe alone, and still less true for individual countries, none the less a simultaneous expansion by all, or the larger, of the western European countries will to a considerable extent propagate itself outside the area and thereby call forth an increase in western European exports and in other receipts from the rest of the world.[17] Even for a single large country these repercussions may assume considerable importance. The structure of a country's economy, its importance as an international creditor, its share in world trade, and the structure of its trade and payments relations with the outside world, are all factors which determine how much or how little an expansion in that country will have repercussions on developments elsewhere which produce effects favourable to the first country. Table 6 shows how large the imports of the United Kingdom, western Germany, and France loom both in the total imports of western Europe and in intra-western European trade, while the shares of exports in gross national product provide some indication of the sensitivity of the different countries to international fluctuations.

Table 7 shows for the OEEC countries combined and for individual countries, the expansionary impulse — expressed as a percentage of gross national product — and how it has been met during the recent boom. This has been divided into two sub-periods, with 1955 — the year of most rapid expansion — as the last year of the first sub-period. The limitations to the information included in the table should be kept in mind. It does not show for any country the absolute surplus or deficit on the foreign balance in any period, nor does it in any other way provide indications of the existence of over-all equilibrium or disequilibrium at the beginning of the period.[18]

For western Europe as a whole a quite significant change occurred from the first to the second sub-period. While the expansionary impulse increased in strength, the relative importance of the three different components meeting it changed greatly. The rate of production growth declined and, since this was only partly compensated through a higher rate of imports,

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[17] See *Economic Survey of Europe in 1957*, Chapter IV, pp. 5-6.

[18] These matters will be dealt with in Sections 3 and 4 below.

TABLE 7

Balancing of changes in total demand and supply

Averages of annual changes as percentages of gross national product

Country		Gross domestic expenditure	Exports of goods and services	Total demand (1+2)	Production	Imports of goods and services	Total supply (4+5)	Absorption through price increase
		1	2	3	4	5	6	7
Austria	1953-55	9.8	4.0	13.8	8.0	4.3	12.3	1.4
	1956-57	8.1	5.0	13.1	5.6	3.0	8.5	4.6
Belgium	1953-55	3.6	2.0	5.5	3.8	1.7	5.5	0
	1956-57	6.3	3.6	9.9	2.8	3.7	6.5	3.4
Denmark	1953-55	5.4	2.2	7.6	2.7	2.2	4.9	2.7
	1956-57	7.0	2.7	9.7	3.6	2.6	6.2	3.5
Finland	1953-55	5.9	0.8	6.7	5.9	−0.6	5.3	1.6
	1956-57	10.3	2.0	12.3	1.5	2.9	4.4	7.9
France	1953-55	4.6	1.1	5.7	4.1	0.2	4.3	1.3
	1956-57	11.7	0.4	12.1	5.5	2.3	7.8	4.3
Western Germany	1953-55	9.4	3.3	12.7	9.0	3.1	12.1	0.6
	1956-57	8.1	4.2	12.3	5.7	3.1	8.8	3.5
Greece	1953-55	22.1	4.9	27.0	8.9	5.0	13.9	13.1
	1956-57	14.6	1.6	16.2	8.0	3.4	11.4	4.8
Iceland	1953-55	15.5	5.3	20.7	11.8	5.5	17.3	3.4
	1956-57							
Ireland	1953-55	6.4	0.7	7.1	1.4	2.5	3.8	3.3
	1956-57	−1.2	1.9	0.7	0.3	−2.1	−1.8	2.5
Italy	1953-55	7.8	1.5	9.3	6.4	0.8	7.2	2.1
	1956-57	6.9	2.5	9.4	4.9	2.4	7.3	2.1
Luxembourg	1953-55	6.1	−3.8	2.3	3.8	1.3	5.1	−2.8
	1956-57							
Netherlands	1953-55	9.8	4.5	14.3	6.9	5.7	12.6	1.7
	1956-57				3.0			3.9
Norway	1953-55	6.3	1.7	8.0	2.9	3.1	6.0	2.0
	1956-57	7.6	6.5	14.1	3.5	4.4	7.9	6.2
Portugal	1953-55	4.0	1.2	5.1	4.7	1.2	5.9	−0.8
	1956-57	6.6	1.0	7.6	3.3	2.7	6.0	1.6
Sweden	1953-55	5.9	1.0	6.9	4.5	1.5	6.0	0.9
	1956-57	7.4	3.7	11.1	3.5	3.3	6.8	4.3
Turkey	1953-55	13.6	−0.1	13.5	4.1	−0.2	3.9	9.6
	1956-57	..	..	..	3.8	..	..	17.1
United Kingdom	1953-55	6.9	0.9	7.8	4.1	1.3	5.4	2.4
	1956-57	6.1	1.6	7.7	1.9	0.7	2.6	5.1
OEEC countries combined	1953-55	7.1	1.9	9.0	5.6	1.7	7.3	1.6
	1956-57	8.1	2.4	10.5	4.4	2.4	6.8	3.8

Sources : *General Statistics, OEEC Statistical Bulletins*, July 1958 and January 1959, and for Finland, national statistics.

NOTE.—The table is based on the following accounting identity:

$$\left[GDE^{n}_{n} - GDE^{n-1}_{n-1}\right] + \left[Exp^{n}_{n} - Exp^{n-1}_{n-1}\right] = \left[GNP^{n}_{n-1} - GNP^{n-1}_{n-1}\right] + \left[Imp^{n}_{n} - Imp^{n-1}_{n-1}\right] + \left[GNP^{n}_{n} - GNP^{n}_{n-1}\right]$$

Column in table : 1 2 4 5 7

GNP^{n}_{n-1} meaning gross national product of year n expressed in prices of the year n − 1, and so on. Each term of the above identity has been expressed in percentage of GNP^{n-1}_{n-1}, and the ratios for the periods shown in the table have been obtained by averaging the ratios for individual years.

TABLE 8

Unemployment

Thousands average June-September

Country	1952	1953	1954	1955	1956	1957
Austria	117	134	105	71	69	66
Belgium	156	167	145	88	71	64
Denmark	56	33	25	31	38	39
France	111	152	156	131	86	65
Western Germany	1 138	999	911	556	432	394
Italy	1 743	1 849	1 821	1 794	1 795	1 565
Netherlands	86	61	42	28	20	32
Norway [a]	4 903	5 010	4 625	3,731	4 659	4 719
Sweden	113	119	115	115	122	129
Switzerland [a]	1 634	1 823	1 627	771	606	595
United Kingdom	310	274	223	178	207	249

Source : National statistics.
[a] Number of unemployed persons.

NOTE.—Data refer to total registered unemployment except for Austria, France and Sweden, where they refer to the number of applicants for work.

the rate of price increase more than doubled. Thus, a change from *Mengenkonjunktur* to *Preiskonjunktur* took place during 1955/56. It was in these two years that unemployment declined strongly to reach low levels in most countries (see Table 8).

Also, the pattern of development varied greatly as between countries. In both the Netherlands and Switzerland the relative importance of supplies from abroad increased appreciably — by virtue of liberal import policies — as employment and capacity ceilings were approached, while price increases remained moderate. Even more favourable were developments in Italy, where a continued high elasticity of supply allowed the maintenance of price increases at a moderate rate in face of an undiminished expansionary impulse. In France, on the other hand, though production accelerated, total demand, and more specifically domestic demand, expanded even more strongly, leading to relatively large price increases and a drastic deterioration of the foreign balance.[19] In Finland, the changes from the first to the second sub-period were of a somewhat similar nature. The domestic component dominated in the intensification of the expansionary impulse and, while the rise in production fell off, the role of the foreign balance and price increases became more important.

Developments in western Germany and the United Kingdom were drastically different as far as the rate of expansion over the whole period is concerned, but exhibited similarities in the changes from the first to the second sub-period. The expansionary impulse weakened moderately in both countries, this being connected with a slower growth only of domestic expenditure. The contribution of production growth became smaller in both countries and that of price increases larger. But whereas in western Germany the higher rate of price increase was the effect of the attainment and subsequent maintenance of something near full employment, in the United Kingdom the acceleration of price increases in 1956 was rather the delayed effect of the strong expansionary impulse of 1955, and the price increase slowed down considerably in 1957.

In Denmark the changes in the relative importance of production growth, imports and price increases, have reflected mainly the changing economic policies pursued. Though in Austria the changes from the first to the second sub-period conformed fairly closely to the general pattern, the actual development is in large part explained by the strong initial impact of the devaluation in 1953.

It may be noted that in the changes from the first to the second sub-period, a greater degree of uniformity is to be found among the highly industrialized countries than among those less economically developed.

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[19] In a case such as that of France it appears more appropriate to consider only the rise in domestic expenditure as the expansionary impulse against which is set production growth, change in balance on goods and services, and price increase.

3. THE BALANCE-OF-PAYMENTS EXPERIENCE OF SELECTED WESTERN EUROPEAN COUNTRIES

In order to supplement the preceding general discussion and to provide a concrete basis for the analysis of the interaction between external and internal developments, a dozen western European countries have been selected for special analysis, in varying detail, of their recent balance-of-payments experience.

The Netherlands and Switzerland exemplify small countries with relatively high living standards, a large foreign trade turnover and a generally strong external position. The current foreign balance of each deteriorated appreciably during the expansion of the 'fifties, but the impacts on their total balances of payments on current and capital account differed widely.

Developments in Austria, Finland, France, and Greece are discussed next. Three of these countries have experienced inflations of more than average violence in the post-war period and all four have resorted, with widely differing degrees of success, to adjustment of their exchange rates in recent years.

Developments in the United Kingdom and in western Germany are of crucial importance to western Europe. These two countries differ strikingly in both their rates of economic growth and their external positions. One important feature of the west German development has been the ample supply of labour and, partly in order to throw further light on the role of this factor, some attention is devoted to Italian experience also.

The balance-of-payments experience of Denmark illustrates the possible conflict between the goals of domestic expansion and external balance. In spite of high real income levels, a precarious external balance has been maintained only at the cost of relatively high unemployment and slow economic growth.

The economic structures of Belgium and Norway make them both highly sensitive to fluctuations in international economic activity. Their policies, however, present a marked contrast.

The Netherlands and Switzerland

The Netherlands and Switzerland exhibit a rather unusual combination of attributes — having strong currencies and being small countries with a large foreign trade: in 1956 Swiss imports equalled almost 30 per cent of gross national product and Dutch imports as much as 45 per cent. They both illustrate that a highly industrialized economy and a high savings ratio are factors favouring a strong balance-of-payments position. However, whereas in the Netherlands until 1954 government surpluses were important elements in total saving, the high savings ratio in Switzerland should be viewed mainly as the response of the private sector to the exceptionally slow rate of price inflation. This has made it possible for Swiss export prices, expressed in dollars, to rise over the last twenty years at only about the same rate as those of its principal competitors in spite of the maintenance of the Swiss franc at its pre-war parity.

Price index numbers of gross national product at market prices in 1957

	1938=100	*1953=100*
Netherlands . . .	314	110
Switzerland . . .	181	103
United Kingdom .	274	112
United States . .	219	105

Source : General Statistics, OEEC Statistical Bulletins, July 1958.

The strengthening of the Swiss franc through the long-established slow rate of inflation is a self-reinforcing process through both its internal and its external effects. Internally the expectation of long-term stability itself promotes stability, and even a weak tendency for the rise of nominal incomes to accelerate has, tended to call forth offsetting policy reactions. Externally it affects favourably the country's competitiveness and strengthens the confidence crucial to the favourable direction of private capital movements. It is common experience that in times of economic contraction and failing confidence, the spread between good and bad risks widens and for this reason — together with some help from specific policy measures — the Swiss balance of payments has proved singularly immune to crises, and the relative position of the Swiss franc has generally improved in periods of growing disequilibrium in the international economy. An additional and obvious reason for the superior strength of the Swiss franc compared with that of the guilder is Switzerland's immunity from economic losses during the last two world wars, whereas the heavy losses suffered by the Netherlands during the last war were only partially compensated by the subsequent large assistance received from abroad.

In both countries the recent boom led to a deterioration of the balance of goods and services, equivalent to almost 5 per cent of GNP. But while in both countries the deterioration resulted from domestic expansion, public policies played very different roles; and whereas the Netherlands experienced a sharp decline in reserves, Swiss reserves continued to rise.

In the Netherlands, where until 1951 income was absorbed through sizeable balance-of-payments deficits, large central government surpluses further restrained total demand from 1948 to 1954. These surpluses reached their maximum in 1952, certainly contributing to the decline in activity in that year. Thereafter the budget surplus was reduced, and in 1955 changed to a deficit. Wages, which were relatively stable in the preceding years, had already risen by some 10 per cent in 1954. In 1956, following government confirmation of an agreement between employers and workers, a new rise of 10 per cent occurred (including the rise in social charges and a non-recurring 3 per cent payment); and both total real wages and the share of wages in national income also rose strongly from 1955 to 1956. These changes, combined with an expansion of residential construction, a rapid rise in exports in consequence of the international economic upturn, and — not least important — a general relaxation of the economic climate after long years of austerity, caused a rapid increase in total demand, and particularly in investment, while savings declined. The effect on prices was quite moderate, but the annual rate of growth of imports leaped up from 10 per cent during 1954-1955 to 16.5 per cent during 1955-1956, while that of exports fell from 14 per cent to 6 per cent. In the first half of 1956 gold and foreign exchange reserves began to fall and domestic interest rates rose. The decline in reserves was reversed only after an exchange crisis in the third quarter of 1957, although a number of measures had been taken earlier in that year which — together with developments abroad — gradually led to a moderate domestic recession.

In Switzerland, developments were different. The federal budget position changed from a substantial deficit in 1952 to a surplus which reached its maximum in 1956, so as to stabilize rather than de-stabilize activity. None the less, rising exports, and from 1954 residential and other building activity — rising partly in response to high liquidity and low interest rates — raised demand and output all round.

Federal budget balance and foreign balance of goods and services

Millions of Swiss francs

	Federal budget balance	*Foreign balance of goods and services*	*Balance of goods and services plus federal budget deficit (or minus surplus)*
1952 . . .	−181	673	854
1953 . . .	−44	1 440	1 484
1954 . . .	230	1 063	833
1955 . . .	215	662	447
1956 . . .	423	125	−298
1957 . . .	182	−195	−377

Source : National statistics.

Unemployment declined to a minimum in 1956, but demand pressures were moderated by rising imports — from 1954 to 1956 equal to more than half of the rise in GNP — and by an accelerated immigration of foreign workers.

As already mentioned, the deterioration of the foreign balance was of the same order of magnitude, in relation to GNP, as in the Netherlands, and was almost twice as large in relation to foreign trade turnover. In spite of this, gold and foreign exchange reserves did not decline, because Switzerland — normally a large-scale net lender — was able to cut down capital exports. The automatic tightening of the capital market during the boom was intensified in the spring of 1955 by a gentleman's agreement between the National Bank and more than 80 commercial banks under which these undertook to deposit certain minimum cash holdings with the National Bank. In the summer of the next year, the National Bank recommended to the banks to abstain from submitting applications for capital exports. Whereas net domestic issues on the capital market rose from practically nil in 1954 to more than one billion Swiss francs in 1957, gross foreign issues dwindled from more than Fr. 400 million in 1955 to nothing in 1957; over the same period, there was a large movement in Switzerland's favour of unrecorded transactions,[20] to a considerable extent undoubtedly reflecting increasing distrust of other currencies. The policy measures taken, and their particular form, were motivated not only by fears of danger to the, in fact, comfortable foreign exchange position, but also by the desire to limit the rise in domestic long-term interest rates and its impact on the level of rents and other domestic prices and costs.

Since in Switzerland the deterioration of the current foreign balance was compensated by developments on capital account it did not affect domestic liquidity on the same scale as in the Netherlands. It is one of the traditional, and so-called automatic, mechanisms for balance-of-payments adjustment that a decline in gold and foreign exchange reserves will be matched by the absorption of domestic means of payment by the central bank inaugurating a process of declining activity — and conceivably, but not probably, falling prices. However, not only may the whole process be fundamentally irrational — if labour and other productive resources are idle on a large scale[21] — but the magnitude of the liquidity effect may be entirely out of proportion to the adjustment required. In countries like the two here considered, the flows of transactions with foreign countries are so large in relation to the domestic economy that an unmodified propagation of a change in reserves to the domestic liquidity position might play havoc with the internal economy. Thus, in 1956 in the Netherlands, the domestic money supply was reduced by almost Fl. 900 million through net sales of foreign exchange, and the private sector was spared too severe an impact only by additions to the means of domestic payment through government drawings on the central bank.

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[20] This inflow of short-term funds was so large as to call forth official counteraction. In the gentleman's agreement mentioned above, the commercial banks undertook to exercise restraint in accepting, and in paying interest on, foreign deposits.

[21] This was not, however, the case in the Netherlands and Switzerland in the period discussed above.

Austria and France

Austria and Greece devalued their currencies in 1953, Finland and France theirs in the autumn of 1957, and the French franc was devalued again at the end of 1958.

In Austria the unitary rate of 26 schillings to the United States dollar introduced on 4 May 1953 had before that date been applied to non-trade transactions and to an increasing part of visible trade, while for the remainder of visible trade a rate of 21.36 schillings to the dollar applied. The average rise in effective exchange rates was therefore appreciably less than 20 per cent. Converted into dollars at current exchange rates, the rise since pre-war in Austrian wages was by 1952 certainly not excessive compared with that in other western European countries. However, a unification of rates at a lower level would have created difficulties for some export industries. Furthermore, it should be remembered that in 1953 the big expansion of west German imports was still to come and there was at that time a general, if slight, recession in western Europe. In any case, it appears probable that the improvement in the foreign balance during recent years has been the consequence not so much of the moderate 1953 exchange rate adjustment as of the stabilization policies adopted before the devaluation and of the subsequent economic expansion in western Europe generally, and western Germany in particular. It is presumably more than mere coincidence that since 1953 the rates of increase of Austrian exports and foreign exchange reserves have approximately equalled those of western Germany and that, over the last 20 years, the increases in west German and Austrian wages — adjusted for exchange rate changes — have been about equal and appreciably smaller than in other western European countries.

Hourly earnings in manufacturing in 1957, in dollars at current exchange rates

Index numbers, 1937 = 100

Austria	175
Finland [a]	380
France [a b]	300
Western Germany [a]	160
Switzerland	215
United Kingdom	240
United States	335

Source : International Financial Statistics, International Monetary Fund.

[a] 1938 = 100.

[b] Applying the exchange rate established in September 1957. The corresponding index for end-1958 was 280, applying the exchange rate established by the devaluation at the end of 1958.

The September 1957 exchange rate adjustment in France, like that in Austria in 1953, largely codified and simplified pre-existing conditions — in this case by replacing special import taxes and export subsidies. But otherwise circumstances were very different. Whereas the Austrian adjustment was effectively preceded by contractionary policies, releasing resources required for an improvement in the foreign balance, the adjustment in the French rate took place at a time when demand pressures were still considerable. Consequently, the effective devaluation — less than 10 per cent rather than 20 per cent — was nullified in a few months' time through increases in nominal wages. Thus, whereas — taking exchange rate changes into account — the increase from before the war to 1957 in Austrian wages was clearly below the western European average, the corresponding rise in French wages was equally clearly above. However, over such long periods of time relative wage changes in different countries are for many reasons a poor basis on which to judge the appropriateness of exchange rates.

The two periods of French expansion in the 'fifties — before and after the 1952 contraction — coincided with international booms. Whereas during the first period of expansion the price index of gross national product rose by almost 50 per cent, the price level was almost stable from the beginning of the second expansion until 1956. Though this difference was undoubtedly in large part due to the Korean commodity boom, conditions of domestic supply were also important. The rate of increase in national expenditure (at current prices) was about twice as high during 1950-1951 as after 1953, but there was far from a corresponding difference between the rates of growth of total output. Part of the explanation may be that whereas in the earlier years long-term investment in construction was high as compared with investment in machinery and equipment, the relative magnitudes shifted in opposite directions after 1953, thus promoting a rapid rise in industrial productivity and output after 1954. But it was more important that agricultural production was generally much lower in the earlier than in the later period and, in particular, that domestic supplies of wheat, meat and wine declined from 1950 to 1951.

Changing developments within the second period of expansion also give a strong impression of the crucial role of agriculture in the French economy. For three or four years starting in 1952 agricultural output expanded. Both wholesale and retail food prices were stabilized and the foreign balance improved. From 1953 to 1954-1955 the trade balance improved by $225 million and the balance of trade in food alone [22] by $252 million. In 1956 domestic supplies of wine, and even more of wheat, fell drastically and meat production declined later. In spite of larger imports, food prices rose and the annual balance of trade in food deteriorated by $236 million from 1954-1955 to 1956-1957. The rise in the cost of food was certainly an important factor in the acceleration of wage inflation in 1956 and 1957, which again contributed to the deterioration of the external balance. The other main domestic factor explaining this deterioration was the course of public expenditure. Government purchases of goods and services declined from 1953 to 1954, remained stable in 1955, and then rose by 20 per cent in 1956 and 10 per cent in 1957. A considerable part of the additional government demand competed with export demand — or added to import demand — for manufactures, for which the annual balance of trade worsened by $232 million from 1954-1955 to 1956-1957.[23] In fact, the 1950s exhibit a rather close inverse relationship between the year-to-year changes in government expenditures and in exports (both at constant prices).

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[22] SITC section O.

The rapid expansion after 1953 in most categories of national expenditure led to a decline in unemployment to minimal levels in 1957 and to excess demand on the labour market. Though output continued to grow and the external deficit rose, rising prices played an increasing role in meeting the accelerating growth of total money expenditure. With less liberal import policies than in the Netherlands and Switzerland,[24] rising imports could not make up for the insufficient expansion of domestic supply to the same extent as in these two countries, and French foreign exchange resources could not, in fact, have permitted an expansion of imports sufficient to absorb an otherwise virtually unrestrained domestic excess demand.

Under these conditions the minor exchange rate adjustment of September 1957 was doomed to failure, while the major step taken — the de-liberalization of imports in June 1957 — like the de-liberalization of February 1952 dealt with the immediate emergency at the cost of an aggravation of the long-run problem. As the so-called Nathan Report[24a] of March 1954 on disparities between French and foreign prices had established, prices in France — as could be expected — were relatively highest in industries protected by quantitative restrictions. Though some liberalization subsequently took place, it was partly compensated through special import taxes, and large parts of manufacturing industry, not to speak of agriculture, remained protected. This should be kept in mind in evaluating the favourable balance-of-payments position of 1954 and 1955 when, furthermore, there was still a considerable amount of slack in the French economy.

The devaluation of the French franc undertaken at the end of December 1958 was a very different affair from that in September of the preceding year. The nearly 15 per cent devaluation caused an effective rise in the price of foreign exchange which was appreciably larger than in September 1957. More important, the end-1958 devaluation was accompanied by a renewed extensive liberalization of imports and relaxation of exchange restrictions and was preceded by a period of increasing slack in the domestic economy, which meant that the balance between demand and supply had shifted so as to make resources available for an improvement of the foreign balance. The devaluation was further supported by the discontinuation of a number of subsidies on consumers' goods and by other measures involving a tightening of fiscal policies. Whereas the adjustment of exchange rates and the removal of subsidies, etc., operated to raise prices and improve the foreign balance, the liberalization of imports worked in the opposite direction. This does not, of course, reveal any internal contradiction in the complex of measures introduced. The adoption of liberal trade policies should be viewed rather as an essential precondition for a continuing rise in productivity through the development of the structure of the French economy.

Apart from the possibility that the devaluation may be nullified in its effects on the competitiveness of French industry by a rise in money wages, the principal risk of failure of the policies now adopted relates to the need for large investments to transform the French production structure. Potentially the French economy is very rich, and the scope for continued expansion is large in that further transfers of labour from agriculture to industry could promote a rise in agricultural productivity and the simultaneous growth of industry. In addition, the liberalization of imports, and integration with the other economies of the European Economic Community, will require adjustments in the existing structure of industry. This will, however, put large demands upon French savings, and to these demands are added those of investment in North Africa. Furthermore the expansion of industry in total must be the leading factor in the structural adjustment if the economy as a whole is to expand and unemployment is to be avoided in the sectors likely to contract under the impact of trade liberalization. Though it is still too early to tell whether the relative contributions of exchange rate adjustment and fiscal policies to the strengthening of the foreign balance have been so chosen as to promote a high rate of total economic growth, it is, on the other hand, clear that the well-chosen timing and general character of the measures taken hold out promise of the removal of one of the major imbalances in the economy of western Europe.

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[23] (SITC sections 6 and 7.) In addition, the balances of trade in raw materials and fuels deteriorated — partly owing to the Suez crisis — by $242 million and $369 million, respectively. Food accounted for more than 20 per cent of the deterioration of the total balance of trade.

[24] The liberalization percentages in 1956 — 82 in France, 96 in the Netherlands, and 93 in Switzerland — do not, of course, provide an adequate impression of the differences in import policies. Also it is of importance that the share of imports in total supplies is much smaller in France than in the other two countries.

[24a] Commission créée par arrêté du 6 janvier 1954 pour l'étude des disparités entre les prix français et étrangers, *Rapport Général*, Paris, 1954.

Greece and Finland

In contrast to the Austrian and French devaluations of 1953 and September 1957, those in Greece in April 1953 and in Finland in September 1957 brought substantial increases in the effective prices of foreign exchange.[25] Further, in both countries, which had experienced severe inflations, devaluation was prepared for by strongly contractionary policies and could therefore be accompanied by extensive relaxation of import restrictions.

In the Greek case it is impossible to tell in what proportions the immediate considerable improvement of the balance of payments was due to the exchange rate adjustment, the restrictive monetary policies, and the exceptionally favourable harvest of 1953. Rising levels of wages and other money incomes[26] quickly offset part of the devaluation; but in spite of this and of a steady expansion of economic activity and sweeping liberalization of imports, the balance of goods and services up to the end of 1957 remained more favourable than before the devaluation.[27]

The economic expansion in western Europe from 1953 onwards affected Finnish exports and terms of trade favourably and provided some support for the implementation of stabilization policies previously agreed upon. However, from 1954 to 1955 the government budget changed considerably from a surplus to a deficit. Early in 1956 farmers' organizations forced through increases in food prices, and higher rents added to the consequent rise in the cost of living, which was followed by wage increases. Subsequently, a law on the stabilization of farmers' incomes tied these to the general wage level, which in turn was tied to the price level.

A decline in reserves started in 1955 and continued until the summer of 1957. Steps had been taken already in 1955 to stem the credit expansion,[28] and in the first half of 1956 credit restriction was intensified. It was only towards the end of that year, however, that the impact on industrial production and employment became noticeable; but in the second quarter of 1957 industrial activity began a steep decline. The contractionary policies, together with intensified import restrictions, succeeded in halting the fall in reserves before the September devaluation; and after that event reserves rose rapidly and regained their end-1955 level by mid-1958.

Simultaneously with the devaluation, imports from western Europe and other areas were liberalized to a considerable extent[29] and, with increased competition from abroad and continued restrictive monetary policies, prices and wages have changed little since the devaluation. Thus, in so far as concerns the effects on the balance of payments and on domestic price inflation, the policies pursued have been a success. However, more than a year after the devaluation levels of production and employment still stagnated, and in some industries receded — a situation to which the weakening of export markets contributed.

In view of the improvement in Finland's terms of trade since before the war, and the changes in the industrial structure, it is hardly possible to draw any firm conclusions, regarding the possibilities of reconciling external and internal balance at present levels of competitiveness, from the relatively large rise over the same period in Finnish wages. At the same time it should be realized that the recent changes in economic policies will call for large-scale new investments to adjust the production structure further.

The United Kingdom

In spite of greatly worsened terms of trade since before the war and large-scale losses of investment income, the United Kingdom has had a surplus on its foreign balance of goods and services almost continuously since 1948. In the post-devaluation period only 1951 and 1955 were years of deficit. A serious balance-of-payments crisis occurred in both these years and in 1957 (also to a lesser degree in 1956), when the surplus on account of goods and services was quite large.

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[25] However, at the Greek devaluation special import taxes and export subsidies were abolished, so that for merchandise trade the effective rise in foreign exchange rates was much less than 100 per cent. In Finland, where the increase in the official dollar rate was 39 per cent, advance deposits for imports and the special tourist rate were abolished and temporary export levies, of originally from 3 to 21 per cent, were introduced.

[26] The price index of gross national product rose by about 30 per cent from 1952 to 1954.

[27] Gold and foreign exchange holdings kept at high levels with little change up to 1956; but in 1957, when foreign assistance was reduced, they fell appreciably.

[28] An agreement in early 1955 between the Bank of Finland and the commercial banks introduced a regime of special deposits with the central bank. By the middle of the same year a system of 10 per cent advance deposits for licensed imports went into operation. Other measures adopted in 1955 were special deposits with the Bank of Finland out of the export earnings of the forestry industry, payments by all firms out of their profits into a Treasury investment fund, and the setting up of a system of index-tied deposits.

[29] Imports from twelve western European countries and Argentina, with which Finland has agreements on multilateral payments, were liberalized to the extent of 75 per cent (later extended to 82 per cent) on the basis of imports in 1954. A special free list, covering 37 per cent of imports, applies to partners in bilateral payments agreements and another list to certain countries of the overseas sterling area. Imports from the dollar area were liberalized, to the extent of 41 per cent, through automatic licensing.

Even though the factors precipitating the various crises have on each occasion been in some sense " special ", the frequency of crises may, nevertheless, be taken to reflect a generally vulnerable balance-of-payments position. However, it has been the 1955 crisis and subsequent developments which have particularly caused concern with the problem of combining external balance with continued domestic economic growth.

After the crisis of 1951 the foreign balance improved in 1952 as the combined result of intensified import restrictions, contractionary credit and fiscal policies (unemployment, at only 2 per cent, reached its highest level since 1947), and improved terms of trade. During 1953 the terms of trade improved further as import prices declined and, in the absence of any strong demand pressure on the labour market, domestic costs rose only moderately. The sterling area as a whole achieved a balance-of-payments surplus, and the United Kingdom almost established balance with the dollar area. As conditions eased, restrictions were relaxed on imports, including imports from the dollar area, in 1953 and again in 1954. At home a number of direct controls were relaxed or abolished in 1953 and 1954, and the incentive budget of 1954 introduced the investment allowance. Industrial production, which had risen by 6 per cent in 1953, rose by a further 8 per cent in the following year. In the second half of 1954 both volumes and prices of imports rose and, in addition, some of the independent members of the overseas sterling area incurred substantial deficits with non-sterling countries. Consequently, gold and dollar reserves declined more than seasonally, and the continued domestic expansion led to a significant pressure on both domestic resources and the foreign balance.

Bank rate was raised twice in early 1955 and hire-purchase restrictions were re-introduced. At the same time the decision, in February, to give official support to the transferable rate in foreign exchange markets was a major step towards the ultimate objective of convertibility. However, it intensified the later crisis not only, and quite possibly not mainly, through the mere cost of supporting the rate, but also by creating expectations of an early move to formal convertibility and the introduction of a fluctuating sterling/dollar rate. As margins of idle labour and spare capacity narrowed, the elasticity of domestic supply decreased, and towards the end of the year the growth of output slowed down whereas imports increased rapidly.

The ensuing exchange crisis was counteracted through a credit squeeze and other restrictive domestic policies. An autumn budget raised taxes and reduced housing subsidies. This line was continued in the regular 1956 budget, which reduced food subsidies and abolished the investment allowance. In addition, bank rate was again raised and hire purchase regulations tightened.

The expansionary impulses of 1955 spilled over into 1956. Wage rates rose substantially in the first half of 1956 and industrial investment was larger than in the year before. However, both stock accumulation and private consumption responded fairly promptly to the restrictive policies; but, at the same time, the Suez crisis added to the external difficulties by inducing a flight of short-term capital.

From 1955 industrial production stagnated, with only quite minor fluctuations. Wage rates continued to rise, though less sharply after 1956, and developments in the markets for fixed-interest securities and for shares reflected the expectations of continued cost inflation. However, the crisis of early autumn 1957 was initiated by the strength of the Deutsche Mark rather than by the weakness of sterling. The subsequent intensification of credit restrictions and other similar measures did presumably weaken significantly the inflationary expectations at home and abroad; and they had some impact — psychologically rather than through any change in the balance between demand and supply — on wage settlements. On the other hand, the influence on domestic activity would not appear to have been large, and was subsequently overtaken by the influence of general recessionary conditions in western Europe.

The Global Payments Balance of the United Kingdom, 1953 to 1958. — It would appear from the above that the effect of the 1955 expansion on the balance of payments is crucial to the problem of the impact — past and future — of domestic expansion on the external accounts of the United Kingdom.

Though domestic activity rose pronouncedly from 1953-1954 to 1955, while afterwards output did not decline but merely stagnated, the improvement of the current balance after 1955 exceeded by about £100 million the deterioration from 1953-1954 to 1955 (see Table 9). Thus, the events of 1955 might appear to have interrupted temporarily a longer-run trend towards an improvement in the foreign balance.

The course of economic expansion during 1953 to 1955 in the United Kingdom was not generally more violent than, or otherwise out of step with, that in the rest of western Europe or in the United States. But conditions in the United Kingdom left a narrower margin for expansion than in most other countries. Already in 1952, as throughout the post-war period, unemployment was quite low, and a higher degree

TABLE 9

United Kingdom balance of payments

Annual averages in millions of pounds

	1953-1954	1955	1956-1957
Imports f.o.b.	−2 947	−3 432	−3 518
Exports f.o.b.	+2 746	+3 076	+3 464
Trade balance	−201	−356	−54
Shipping, net	+141	+123	+108
Interest profits dividends, net	+75	+77	+112
Travel, net	−3	−14	−13
Private donations, net	−6	−18	−26
Government, net, excluding defence aid	−166	−182	−179
Other net	+292	+251	+292
Current balance			
Excluding defence aid	+132	−119	+240
Including defence aid	+208	−73	+264
Long-term capital, net			
Government	−26	−53	+11
Other	..	−130	−235
Change in sterling liabilities	+160	−134	−65
Gold and dollar reserves	−163	+229	−27
Other capital movements and balancing item	−179 [a]	+161	+52

Sources: United Kingdom Balance of Payments (Cmnd 540 and 122), H.M.S.O., London.

[a] Including other long-term capital, net.

of employment could thus contribute little to the growth of output. This added to the effect of more fundamental structural factors, such as the stability in subsequent years of the population in the active age groups and the exceptionally small share of the active population occupied in agriculture. Little scope was left for an expansion of the industrial labour force through migration from agriculture: rather the trend was for labour to move from manufacturing into the services sector. Furthermore, the ratio of gross savings to national product during most of the post-war period has been lower in the United Kingdom than in other countries of a similar economic structure and development, resulting in correspondingly lower levels of industrial investment, which have also contributed to the inelasticity of output. With supplies relatively inelastic and domestic demand consistently high for both labour and commodities, cost levels have tended to rise at a fairly rapid rate compared with those in other industrial countries.

Despite the relative inelasticity of domestic supply, the deterioration of the foreign balance which occurred in 1955 was not particularly large compared with developments elsewhere. The change from 1954 to 1955 was equivalent to less than 2 per cent of gross national product and, as has been mentioned above, much larger reversals were suffered by both the Netherlands and Switzerland during this period.

However, the fundamental weakness of the economic position of the United Kingdom has been the combination of a low elasticity of domestic supply with a relatively weak external liquidity position. Gross reserves were low in 1954 in relation both to the value of international transactions impinging upon them and to the short-term liabilities of the United Kingdom.[30]

The very narrowness of the international margin makes it shrink further exactly when it is needed most. It was mentioned above that Switzerland was able to safeguard its already comfortable foreign exchange position from the effects of a deteriorating current foreign balance by reducing its capital exports, and that it also benefited from an inflow of short-term funds during periods of international currency crisis. In the United Kingdom developments have sometimes been just the opposite, when the effect of a weaker United Kingdom current account has been intensified by drawings on their sterling holdings by the rest of the sterling area, due to those countries' weakening positions, and by a flight of short-term capital due to failing confidence. Indeed, in a majority of cases, developments on capital account have been not only aggravating but precipitating factors in the post-war payments crises of the pound.

As has already been mentioned, the improvement of the foreign balance after 1955 was considerably larger than the preceding deterioration; and there is little in the course of total domestic activity to explain this. Total output was larger in 1956-1957 than in 1953-1954 and unemployment was on balance lower in the later than in the earlier period. Special factors which have exerted an unfavourable effect on the foreign balance were prominent in 1956-1957 rather than in 1953-1954. It is true, however, that the terms of trade were some 2 to 3 per cent more favourable to the United Kingdom in 1956-1957 than in 1953-1954.

The total of the external surplus and stock accumulation has fluctuated much less than either item alone. During the period 1951-1955 the annual value of the total fluctuated between £200 million and £300 million. But in 1956 it jumped to more than £500 million and in 1957 to £700 million. This rise was closely connected with an increase in the gross savings ratio from 18.1 per cent of GNP in 1953-1955 to 20.5 per cent in 1956-1957, mainly accounted for by a rise in personal saving. Such a rise acts in the short run similarly to an increase in total resources, by releasing resources from the satisfaction of consumer demand and making them available for domestic investment and for improvement of the foreign

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[30] At the end of 1954, gross reserves amounted to no more than 6 per cent of GNP.

TABLE 10

Changes in United Kingdom gold and dollar reserves

Annual averages in millions of pounds sterling

	1953-1954	1955	1956-1957	1957/1958 [a]
I. *United Kingdom transactions with dollar area*				
Current balance	−36	−184	−46	−2
Long-term capital [b]	+5	+18	+37	+126
Change in sterling liabilities	+32	−39	−12	−6
Total	+1	−205	−21	+118
II. *Transfers in respect of transactions with :*				
Rest of Sterling area				
Net gold sales in the United Kingdom	+108	+176	+222	+249
Other	+58	+35	+38	+67
Total	+166	+211	+260	+316
Non-dollar, non-sterling countries :				
Other western hemisphere	+15	−9	+10	+25
OEEC countries	−26	−207	−294	−192
Others	+28	−15	−25	−20
Total	+17	−231	−309	−187
International Monetary Fund and other international organisations	−20	−4	+98	+2
Change in reserves	+164	−229	+28	+249

Sources : As for Table 9. [a] Twelve months from 1 July to 30 June. [b] Including errors and omissions.

balance; and though it is unfortunate — but not entirely coincidental — that the change has come at a time when international demand is slackening, over the longer term both the domestic and the international margin for expansion will widen as domestic capital formation grows and the external liquidity position is improved.

During the period discussed above — from the end of 1952 to mid-1958 — the total surplus on the current external balance has amounted to some £1,200 million. Rather less than one-third of this has corresponded to the improvement of the reserve position (rise in gold and dollar reserves *minus* rise in sterling liabilities [31]) from the very low level at the beginning of the period, whereas the export of private capital, almost entirely to the overseas sterling area, would appear to have amounted to some £800-900 million. Obviously, these capital exports may be claimed to be among the causes of the United Kingdom's balance-of-payments difficulties in the hypothetical sense that a smaller flow of capital exports, with nothing else changed except the development of reserves, would have strengthened the external balance. But it is not difficult to suggest a case even for an increase in capital exports. The essentially free movement of capital from the United Kingdom to the rest of the sterling area is one of the key features of the sterling area system, and the question of the maintenance of that system is as much political as economic. With an increased flow of domestic savings the conflict between domestic and foreign investment will, however, tend to become less sharp, which is another way of saying that the balance-of-payments position should tend to improve.

The United Kingdom's Dollar Balance and Sterling Convertibility. — Table 10 provides a picture of the principal elements in the changes in the United Kingdom's gold and dollar holdings from the end of 1952 to mid-1958. The shift from an average annual increase of more than £150 million in 1953-1954 to a loss of well above £200 million in 1955 was mainly accounted for by a deterioration in the United Kingdom's current balance with the dollar area of about £150 million and by a £180 million rise in dollar payments to OEEC countries. To a moderate extent increasing gold sales by the rest of the sterling area to the United Kingdom counteracted the unfavourable changes. The subsequent rise in gold and dollar reserves from the end of 1955 to the end of 1958 was only barely equal to the total of the drawings on the International Monetary Fund and on the credit from the Export-Import Bank, and the temporary savings from use of the waiver clause in the North American loan agreements.

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[31] During the period the deterioration of the net IMF-position about equalled the improvement of the net position in the European Payments Union.

The reassuring feature of developments since 1955 is therefore not the actual rise in reserves, which has been matched by increased borrowing, but rather the fact that towards the end of the period a large improvement in the recurring items of the dollar balance had taken place. This development partly depended on the slowing down of domestic activity, and there were also certain other disquieting features. Whereas the deterioration in the global balance on current account from 1953-1954 to 1955 was accounted for mainly by the OEEC and dollar areas, the subsequent improvement was largely confined to transactions with the dollar and sterling areas, current transactions with the OEEC countries resulting obstinately in a deficit. The large rise from 1955 in the loss of dollars through transactions with EPU member countries was not, however, mainly due to the movements of the current balance with these countries but seems rather to have been due to the various relaxations of exchange regulations and, in particular, to the support of the transferable rate.

The other striking feature brought out by the table is the importance of gold sales in the United Kingdom by the rest of the sterling area, mainly the Union of South Africa. During the period from the end of 1952 to mid-1958 these sales amounted to more than twice the rise in gold and dollar reserves and were by some £350 million larger than the United Kingdom's surplus with the rest of the sterling area on current and long-term capital transactions. In meeting the cost of convertibility, the arrangements between the United Kingdom and the Union of South Africa concerning gold sales in London might appear to play a crucial role, and might be considered a frail base on which to have proceeded from *de facto* to *de jure* convertibility of sterling. For instance, South African gold sales in 1956 were almost twice the amount required for settlement of the Union's deficit with the United Kingdom and other sterling countries. However, since the Union's deficit with the sterling area (including the United Kingdom) on transactions other than gold sales is smaller than its global deficit on such transactions, the settlement in gold of the former deficit could hardly be detrimental to the Union's interests.[32] On the other hand, the gain for the United Kingdom from the arrangements can hardly be large since close to nine-tenths of the Union's imports originate in the sterling, dollar or EPU areas.

The approach to the convertibility problem in the post-war period has been somewhat different in the United Kingdom and on the Continent, more particularly in Belgium, western Germany, the Netherlands and Switzerland. In these countries the point of view has generally been that convertibility for residents — that is, mainly, the absence of restrictions on dollar imports — should precede convertibility for non-residents, whereas the British approach has been the opposite; and when at the end of 1958 non-resident convertibility was introduced, the liberalization of imports from North America had, in fact, proceeded appreciably further in the continental countries mentioned than in the United Kingdom.

This difference in approach is, of course, to be explained by the extensive international use of sterling. In the United Kingdom the decisive step towards convertibility was taken with the decision in February 1955 to support the transferable rate — an action which was motivated in large part by the administrative difficulties of preventing illegal and quasi-legal switch transactions when the rate for transferable sterling in foreign markets fell low enough to make " commodity shunting " profitable.[33] The introduction of convertibility by the United Kingdom could have been judged to be premature if the currencies of a major part of its trading partners had remained weak, and if such countries had intensified restrictions on imports from the United Kingdom in consequence of sterling convertibility. In fact, the greater part of western Europe has joined the United Kingdom in introducing convertibility. Any loss to the United Kingdom from having to some extent given non-resident convertibility priority over resident convertibility depends upon the extent of the distortion of the import structure of the United Kingdom in consequence of the remaining quantitative restrictions and, in particular, on the degree to which these are discriminatory. With all major currencies convertible, the United Kingdom, like other countries, will have an interest in removing the remaining discrimination from its restrictions.

Western Germany

The principal factors responsible for the high rate of growth of the west German economy during the 'fifties stand out clearly. War-time destruction and post-war dismantling of plant raised the scarcity of, and the return to, capital; and investment requirements were further increased by the partition of Germany, leaving each part like a torso with an incomplete capital structure. At the same time the rapid growth of population in western Germany both added to capital requirements and provided the basis for an expansion of production. The level of unemployment was relatively high at the beginning of the period, migration from eastern Germany caused a rapid increase in the population of working age, and the proportion of women entering the labour market rose appreciably during the period. The relatively weak bargaining position of labour moderated the rise in money wages from the levels established at the time of the currency reform, and the rapid increase in productivity as investment and output expanded further strengthened the competitive position of west German industry. Relatively low real wages and high rates of profit favoured a high savings ratio, and during most of the period budget surpluses made an appreciable contribution to total savings.

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[32] It would be otherwise if the Union had a global deficit on non-gold transactions of, say £200 million, composed of a deficit with the sterling area of £300 million and with the dollar area of £100 million and a surplus in soft currencies of £200 million. In such a case it might be considered to the Union's advantage to settle two-thirds of the deficit with the sterling area through transfer of soft currencies.

[33] It may, of course, be questioned in this connexion whether other countries lived up to their obligations under the Articles of Agreement of the International Monetary Fund to support the operation of the approved exchange restrictions of the United Kingdom.

In the period after the First World War, also, German industrial production expanded very rapidly, though much less regularly, following the currency reform of 1923. However, pre-war levels were then only reached and surpassed in 1926-1927, and the expansion was supported through large-scale capital imports, whereas from 1951 western Germany has achieved a large and rising balance-of-payments surplus on goods and services, which amounted to 4 per cent of gross national product (at factor cost) in 1956 and to 4.6 per cent in 1957. Capital exports have been relatively small and most of the surpluses have gone to swell the gold and foreign exchange reserves, which towards the end of 1958 stood at about DM 20 billion, excluding credit balances of close to DM 6 billion with the European Payments Union and the International Bank for Reconstruction and Development.

This highly abnormal development could not, of course, have taken place if the effects on domestic liquidity of the accumulation of reserves had not been offset by the policies of the monetary authorities.

From the end of 1950 to the end of the third quarter of 1958 the foreign assets of the Federal Bank rose by almost DM 25 billion; and to the extent of DM 10 billion this was compensated by a reduction of the net claims of the Bank on the Government. In the fiscal years 1952/53 to 1955/56 the total cash surplus of the Federal Government amounted to about DM 6.5 billion.[34] When subsequently the surpluses disappeared and a heavy deficit took their place, the absorption of commercial bank cash was continued from May 1955 through the sale of government securities obtained by the Federal Bank in exchange for non-negotiable so-called equalization claims on the government, arising out of the 1948 currency reform. During the period indicated above, the note circulation rose in the same proportion as private consumption expenditures. With only small changes in other items, the net claims of the other banks on the Federal Bank rose by DM 8.3 billion, or by only about a third of the rise in the foreign assets of the central bank.[35] Even so, the increase in liquidity has been considerable and interest rates on the capital market have tended downwards: after an interruption of the decline in 1956-1957 they reached about 4 per cent by the end of 1958.

While it was a matter of course that western Germany would need to strengthen its reserve position after the exchange crisis of 1950, the accumulation of reserves has long since passed the point where it contributes to better international balance. Over the last few years the balance-of-payments surplus on goods and services has tended to rise rather than fall. Net exports of medium- and long-term capital have in no year exceeded DM 730 million; and although gross private capital exports have increased at a fairly rapid rate, they were still below DM 1 billion in 1957 and were matched to the extent of more than half by an inflow of private funds from abroad. As a result, reserves have increased during the last three years even more rapidly than before.

At the present time a number of important changes appear to be taking place in western Germany. Unemployment has been reduced to low levels, and the growth of the active population has begun to decline, this decline being expected to last for a period of years. There will thus not be future scope for an expansion of employment as rapid as in the recent past, and this will tend to strengthen the bargaining position of labour. At the same time the high levels of investment during past years have filled the major gaps in the capital structure, and the fall in interest rates reflects not just the increase in liquidity, but also a decline in industrial profit rates. Almost unavoidably, the exceptionally rapid industrial expansion has involved a falling behind in the growth of infrastructure and other long-term investment, while in industry capacity utilization levels have declined during the last two years. Thus, if high levels of investment are to be maintained in the years ahead, a considerable change must take place in the

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[34] In 1950/51 and 1951/52 there were cash deficits of DM 619 and DM 435 million.

[35] Thus, the changes in the balance sheet of the Federal Bank from end-1950 to end-September 1958 were (in billions of DM):

Change in net foreign assets	+25
balanced by :	
Change in net liabilities to government	+10
Change in net liabilities to banks . .	+8
Change in note circulation	+9
Other changes	−2

character and structure of investment, of the kind induced by increased labour scarcity and lower interest rates. Industrial investment plans must involve a higher degree of capital intensity and, if social and infrastructure investment become more important in the total, the share of building and construction in total investment may well rise. With these changes may be expected to be combined an accelerated rise in the share of the active population in services and a more rapid decline in the agricultural population.

As in a number of other countries, the rate of personal savings has increased in recent years. Total gross savings in 1955-1957 have averaged close to 28 per cent of gross national product as against about 25 per cent in the earlier 'fifties. The rise is entirely accounted for by larger private savings whereas, as mentioned above, the Federal Government budget changed from a surplus to a deficit in the course of 1956.[36] There seems little reason to expect a return of large-scale central government surpluses; rather are continued deficits to be foreseen. So far it has been possible for the central bank partially to neutralize the effect on domestic liquidity of the disappearance of budget surpluses by the sale of government securities; but by September 1958 only DM 2.2 billion remained of an original DM 8.7 billion stock of equalization claims, through the exchange of which the Bank has obtained material for sale in the open market. Thus, in default of special measures, the Bank may soon be in a position where it is no longer able to counteract the domestic liquidity effect of the external surplus.

In this case the rise in liquidity will drive down interest rates on money and capital markets. The easier credit conditions will stimulate both domestic investment, and thereby activity in general, and the export of private capital. Though it is, of course, impossible to prove anything in these matters, it would appear rather improbable that — in consequence of a fall in interest rates only and in the absence of other supporting measures — private capital exports should rise sufficiently to eliminate a major part of the present payments surplus. Therefore, if savings do not decline appreciably, and the payments surplus is to be eliminated, domestic capital formation must increase, so that the savings which now finance the foreign surplus are diverted to domestic investment. As has already been mentioned, such an increase in capital formation at a time when the supply of labour grows less rapidly will imply a significant increase in over-all capital intensity. The lower levels of interest rates will certainly induce an increased volume of long-term investments in building and construction. But in the industrial field the level of interest rates does not greatly influence the choice of technique, and there is nothing but an increased scarcity of labour to prevent entrepreneurs from reacting to easier credit by trying to expand the scale of their operations, increasing their employment of both labour and capital rather than making special efforts to shift towards capital-intensive and labour-saving methods. Therefore, a reduction in the foreign balance, called forth by easier credit and lower interest rates, could hardly take place without a more rapid rise in the level of wages and other domestic costs.

If, however, the monetary authorities effectively resist such a development, because it would be contrary to their desire for price stability, then only two possibilities would appear to remain for the attainment of balance: one is a revaluation of the Deutsche Mark to achieve the adjustment of cost levels otherwise to take place through inflation; the other is a reduction of the payments surplus through large-scale public capital exports, economic assistance to overseas countries, and support of the export of private capital, primarily to the other countries of the Common Market or to overseas countries. If neither of these courses is pursued and monetary policy holds back demand sufficiently to check the rise in money wages, the accumulation of reserves will continue, leading to further dislocation of the western European economy.

Italy

Economic developments in Italy during the 'fifties present both striking similarities and contrasts with those in western Germany. Industrial production expanded by more than 75 per cent from 1950 to 1957, and though this fell considerably short of the more than doubling of output in western Germany, it was, on the other hand, equally far in excess of the western European average rise of about 50 per cent. The volume of Italian exports also rose fairly rapidly, and the balance of goods and services improved strongly during the 'fifties, though in 1957 it still remained in deficit.[37] Emigrants' remittances, a net inflow of capital and foreign assistance sufficed to finance not only these deficits, but also an approximate doubling of gold and foreign exchange reserves.

But whereas in western Germany the ample labour supply was an important element in the process of domestic expansion, this was not the case in Italy. From 1950 to 1957 the index of industrial employment shows a rise of only 7 per cent and, though this low figure must be partly ascribed to the incomplete coverage of the index, the rise in industrial employment could hardly be put at more than some 10-12 per cent. Even this percentage understates the real growth of employment in industry because in the early 'fifties the engaged labour force in many industrial enterprises was in excess of needs, owing to the pressure exerted by the Government to restrain dismissals.

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[36] On a cash basis, that is, which — though not strictly relevant in the present context — may be assumed to be indicative of the change in public savings.

[37] Receipts from private remittances did, however, in that year exceed the deficit on goods and services for the first time in the post-war period.

Without attempting any thorough analysis the presumption may here be indicated that the crucial element in any explanation of the relatively slow rise in employment is the dual character of the Italian economy, with an industrialized northern sector separated from the under-developed south. The major, southern reserves of idle labour take the form of under-employment and disguised unemployment rather than open unemployment. Unemployment in the north has acted as a brake on the migration from the south to the north, and at the same time trade union strength in north Italian industry has been sufficient to secure the enforcement of collective wage agreements and to maintain a considerable real wage disparity between industrial and other workers. In spite of the global excess supply of labour, wages in the larger industrial firms of the north — converted into dollars at current exchange rates — had risen by 1958 by between 150 and 200 per cent since before the war, or at a rate somewhat higher than that in the United Kingdom and close to that in France (taking into account the most recent devaluation). On the other hand, during the 'fifties, when industrial employment increased little, Italy was among the western European countries with a relatively low rise in wages; but the spread between industrial and agricultural wages widened, whereas from pre-war to post-war it had narrowed.

The relatively large pre-war to post-war increase in wages combined with other, and probably more important, factors to limit the growth of employment during the 'fifties. During this period imports have been liberalized to a high degree, and increasing competition from abroad, despite high tariffs, has induced investments designed to raise productivity in industry rather than to increase employment capacity. Such investments have also been promoted through special credit facilities and other measures of government policy. Furthermore, the relative growths of different industries have been such as to raise the average capital requirements per worker employed. Output of the textile industry, which accounts for a relatively large share of Italian total industrial output, increased by only 15 per cent from 1950 to 1957,[38] and the metal-using industries increased their output only by approximately the same percentage as industry as a whole, whereas in the highly capital-intensive basic metals and chemicals industries output rose much more. In addition, residential construction (at constant prices) tripled from 1950 to 1957 and raised its share of domestic fixed capital formation from 16 per cent to more than 27 per cent.

At about 20 per cent of the gross national product, the Italian gross savings ratio has in recent years been close to the western European average,[39] but certainly much lower than in western Germany. The flow of domestic and foreign savings available for domestic investment has been insufficient for the double task of raising the capital intensity of production and expanding employment; and developments have been such as to give the first priority over the second. In view of the large under-developed sector in the Italian economy it is, however, all the more remarkable that it has been possible during the 'fifties to achieve both an improvement in the foreign balance, a high degree of price stability, and a relatively rapid growth of total output.

Denmark

Repeatedly during the post-war period domestic economic expansion in Denmark has been halted, through contractionary monetary policies, in order to safeguard a precarious balance of payments. Industrial production rose by only 17 per cent during 1950 to 1957, as against more than 50 per cent for the western European countries combined; and unemployment has kept at high levels, averaging close to 10 per cent of the insured workers.

A major cause of the weak international position of the Danish economy would appear to be the relatively unfavourable occupational structure which is reflected in the commodity structure of exports, foods accounting for more than half of the total. Since the middle of the inter-war period Denmark's terms of trade have deteriorated almost without interruption, the worsening from 1937-1938 to the middle of the 'fifties corresponding in effect to a decline in productivity of more than 5 per cent.[40]

In its effects on agricultural real incomes the unfavourable price development has been compensated through a strong rise in labour productivity, induced by the movement of workers out of agriculture. However, this development has required large-scale investments in agriculture — further raising the already high degree of capital intensity in that sector — and, secondly, it has increased the supply of unskilled labour outside agriculture. The unemployment problem largely takes the form of a structural maladjustment of the labour supply to the demand. With workers organized fairly rigidly by crafts rather than by industries and with geographical mobility significantly impeded by a housing shortage, especially during the earlier part of the post-war period, the availability of labour has generally been much lower than would appear from the high over-all level of unemployment.

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[38] Employment in the textile industries declined by almost 20 per cent during 1950 to 1957.

[39] A direct comparison with the industrialized countries of western Europe is, however, misleading in so far as the fairly high Italian percentage must be ascribed to high relative prices of investment goods and would be lower if output was valued at the prices ruling in these other countries.

[40] Computations by different methods show a terms of trade deterioration of some 20 to 30 per cent. Merchandise exports equalled approximately one-fourth of gross national product in 1955.

However, a greater adaptability of the labour supply would not directly have improved conditions decisively. The expansion of industrial employment would have added to investment requirements which, with a gross savings ratio below 20 per cent of gross national product, could not easily have been met from domestic resources.

The rise since pre-war in money wages — when adjusted for changes in exchange rates — has roughly corresponded to that in the United Kingdom, and the increase in fringe benefits entering into the employers' costs has been smaller than in most other countries. Nor does the performance of Denmark's industrial exports provide indications that wage levels are excessive.

Nearly half the output of machinery is exported; and such exports, at constant prices, rose by 150 per cent from 1950 to 1956. Exports of the chemical industries increased almost as much, and total industrial exports more than doubled. However, a large part of manufacturing industry producing for the home market is still protected by import controls against competition from abroad. In the absence of effective competition on the small Danish market, productivity tends to be low and profit rates high in these industries, while at the same time the narrow scope for expansion on the domestic market does not hold out inducements to increase investments and savings to finance them. Furthermore, the protected industries claim part of the skilled labour force which is not in excess supply.

Whereas until recently in the post-war period the labour force was almost stagnant, it is now rising more rapidly and will continue to do so for a period of years. The need for industrial expansion has therefore become even more urgent. The principal policies called for would appear to be measures designed to increase the flow of domestic and/or foreign savings available to finance industrial investment, and the dismantling of import controls so as to promote higher productivity through development of the industrial structure and improved methods in individual firms.

Belgium and Norway

Both Belgian and Norwegian exports of goods and services are highly sensitive to fluctuations in world economic conditions. In Norway this is in great part due to the important role played by the country's international shipping activity, gross income from which roughly equals merchandise exports. The international markets for major export commodities — metals and forestry products — are, however, also highly variable. The Belgian commodity structure of exports, with iron and steel accounting for close to 20 per cent of the total, also makes for a high sensitivity to changes in world activity. But an important additional factor has been that Belgium, because of a relatively high cost and price level,[41] has been a marginal supplier of many goods. During the 1952 recession the country suffered a more severe decline in its industrial production than other western European countries, and Belgium was also particularly affected by the last recession in the United States.

Early in the post-war period Belgium resorted to contractionary monetary policies in order to eliminate inflationary pressures. Stabilization was achieved at a relatively high level of money incomes and costs and, compared with the pre-war situation, the competitive position of Belgium had to that extent deteriorated *vis-à-vis* the rest of industrial western Europe. However, in the early post-war conditions commodities of the kind exported by Belgium were in strong demand and this, together with domestic monetary restraint, sufficed to make the Belgian franc a strong currency. The cautious monetary policies and a gradually quite extensive liberalization of imports are, presumably, the principal causes why the rise in the price index of gross national product over the last decade has been smaller than in every other western European country except Switzerland and, possibly, Portugal. In fact, the rise in money cost levels would appear to have been so much slower than in most other western European countries that Belgian competitiveness has, on balance, slightly improved since 1948 despite the relatively moderate extent of the Belgian franc devaluation in 1949.

Beyond the disadvantage of a relatively large rise since before the war in domestic cost levels, certain weaknesses in the industrial structure affect the external position. The textile industries and coal mining, where productivity is low, account for relatively large parts of total industrial output whereas the share of the chemical industries is small.

In spite of its generally weak competitive position, Belgium has had a surplus on its external balance of goods and services in each year since 1951, and gold and foreign exchange reserves have been maintained at relatively high levels. But the rather high cost of this achievement has been cautious monetary policies, which have in most post-war years kept unemployment at relatively high levels and have slowed down the development of the industrial structure.[42]

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[41] From 1938 to 1957 the Belgian price index of gross national product, converted into dollars at current exchange rates, increased by about 150 per cent, as against about 60 per cent in the United Kingdom and 120 per cent in the United States.

Norwegian monetary policies have been very different from those in Belgium, and the differences in their consequences — influenced also by other factors — stand out strikingly in three respects: whereas the Belgian foreign balance has been in surplus since 1951, Norway has usually had an import surplus of goods and services; unemployment has been relatively high in Belgium, but has kept at low levels in Norway, even though the excess demand for labour of the earlier post-war period has largely disappeared in the 'fifties; and long-term interest rates (on government bonds) in Norway have generally been some 1½ to 2 percentage points below those in Belgium.

The ratio of gross savings to gross national product in Norway is of the same order of magnitude as that in western Germany, and thus among the highest in western Europe. But economic policies have been deliberately designed to combine a steady and high investment ratio with high savings and to promote capital imports. Private long-term capital imports during the period 1952 to 1957 are estimated at almost $400 million.

So far, the beneficial effects of the high investment ratio have hardly become apparent. During the 'fifties the growth of output per capita was of the same order of magnitude as in Belgium and Sweden and much lower than in the Netherlands, though the terms of trade of Norway developed rather more favourably than in these countries and freight rates were appreciably higher at the end than at the beginning of the period.

The investment-to-output-increase ratio has in the 'fifties been appreciably higher than in the pre-war period.[43] Part of the explanation may be that, with the gradual relaxation of demand pressures during this period, levels of capacity utilization have declined, and that technological change has involved rising capital intensity. This has certainly been the case in shipping, where the trend towards larger units has raised capital requirements per worker employed. But, furthermore, some striking discrepancies may be noted between the relative contributions of different industries to total output and their shares in investment. Thus, while shipping accounted in recent years for less than 10 per cent of gross national product it claimed more than one-quarter of total fixed investment. On the other hand, mining and industry commanded only one-sixth of total investment, while their combined share in total output was close to one-third, and a large part of investment resources went into the development of a limited range of capital-intensive production.

As already mentioned, the Norwegian foreign balance is sensitive to fluctuations in world activity in a similar degree to that of Belgium. Thus, from 1951 to 1953 Belgium's exports of goods and services at current prices declined by 9 per cent, or by about 3 per cent of gross national product, and in Norway the decline amounted to 12 per cent, or 2½ per cent of GNP. In consequence, the Norwegian foreign balance deteriorated by about $170 million from 1951 to 1953. Being, in contrast to Belgium, a regular net importer of capital, and holding relatively smaller exchange reserves, Norway is generally in a much weaker position when faced with such reversals. However, in this period Norway was highly successful in resorting to imports of foreign capital, and the decline in reserves remained moderate.

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[42] Furthermore, the rigidity of legal regulations relating to the coverage of commercial bank deposits and to treasury drawings on the central bank forced the Government in the second half of 1957 to institute action which operated to intensify the contraction of activity which had then already started. In November 1957 new regulations were introduced to allow a more elastic operation of the fiscal and credit system.

[43] O. Aukrust, *Investeringens Effekt på National Produktet*, Oslo, 1957.

4. THE ADJUSTMENT OF EXTERNAL IMBALANCE

Big differences among countries, both in actual balance-of-payments developments and in their attitudes towards imbalances between external payments and receipts, have been revealed in the preceding section of this chapter, from which it also appears that the success achieved by a country in dealing with its monetary and balance-of-payments problems is to a considerable extent cumulative. As its international margin for expansion widens, it increasingly enjoys the possibility of cushioning the impact of domestic excess demand by allowing its external balance on account of goods and services to deteriorate. On the other hand, a country in a weak international position has little room for manœuvre, and will be forced to resort earlier to import restrictions and other stop-gap measures to safeguard its reserves. It is certainly not a coincidence that the countries in a relatively weak external position were also those which experienced the largest price increases during the later stages of the recent boom, whereas the

TABLE 11

Gold and foreign-exchange holdings

Millions of dollars and percentages of gross national product at market prices

Country	Holdings at end June 1958		End-of-year holdings in 1949-1957 [a]			
			Highest ratio		Lowest ratio	
	Millions of dollars	Percentage of GNP 1957	Year	Percentage	Year	Percentage
Austria	524	11.2	1954	12.3	1951	3.4
Belgium	1 355	13.6	1951	12.6	1950	10.4
Denmark	185	4.3	1953	4.4	1956	3.0
Finland	214	6.3	1951	6.6	1956	3.9
France	775 [b]	1.6	1950	4.7	1957	1.6
Western Germany	5 830	11.7	1957	11.3	1950	1.2
Greece	186	6.8	1954	10.6	1951	5.8
Iceland	15	4.8	1954	9.8	1957	5.1
Ireland	248	15.6	1950	22.4	1956	15.7
Italy	1 714	6.9	1949	7.2	1953	5.1
Netherlands	1 295	12.5	1953	19.1	1949	9.4
Norway	191	4.8	1950	6.1	1954	4.5
Portugal	698	35.0	1954	37.8	1950	31.2
Sweden	447	4.4	1951	7.1	1957	4.6
Switzerland	1 990	27.3	1949	38.9	1957	25.9
Turkey	262	2.4	1949	6.1	1956	2.6
United Kingdom	3 110	5.1	1950	9.3	1956	3.8

Sources: *General Statistics, OEEC Statistical Bulletins*, July 1958 and January 1959; *International Financial Statistics*, IMF, Washington, December 1958.

[a] Except for Austria, western Germany, Portugal, 1950 to 1957.

[b] End of year 1957.

countries in a strong international position were able to compensate for the declining elasticity of domestic supplies through rapidly expanding imports, and could thus restrain the rise in domestic price levels.

In Table 11 reserves of gold and foreign exchange have been expressed as percentages of annual gross national product (rather than taking percentages of imports as the crucial standard). Even after allowing for the reservations that have to be made in comparisons of this kind, the figures reveal much variation among countries regarding the international margin for an expansion of domestic demand or, in other words, their possibilities of relieving domestic demand pressures through an increase in net supplies from abroad.

However, the above remarks on the differences between countries in a strong and countries in a weak international position are particularly in need of modification in one respect. Where the balance between domestic demand and supply in a country changes for reasons peculiar to that country, the possibility of changes in the foreign balance provides an element of genuine elasticity in the economy, spreading and diluting the expansionary impulse over a larger area. However, in so far as waves of alternating expansion and contraction are synchronized in several countries, the possibilities of reducing fluctuations in their domestic economies through compensating changes in the foreign balance are narrowed for all. By luck rather than by design, it has so happened in the post-war period that levels of total activity have generally moved out of step in North America and in western Europe. If fluctuations in activity had been more closely synchronized between these two big industrial areas, the tendencies towards cumulative reinforcement of inflation and contraction via international commodity markets would have been stronger.

The Reconciliation of Internal and External Balance

Separate monetary systems with independent policy-shaping authorities, and the relatively narrow international margin for expansion due to institutional impediments to the international movement of labour and capital, are the principal circumstances on which depend the peculiarities of international payments balances as distinct from those between regions or sectors within a national economy.

The international mobility of capital is much smaller — apart from exceptional cases and within limited fields — than mobility between areas or sectors of a national economy. The financing of an accelerated over-all expansion in a country will therefore depend to a much higher degree upon that country's own resources than will the financing of expansion in a part of the country depend upon the resources of that part. Labour mobility is typically also much smaller internationally than intra-nationally and, as a consequence, movements in wage levels of different countries are only loosely interrelated. Moreover, whereas the banks and other credit institutions within a region of a country form an integral part of the national monetary system and are subject to the policies of the national authorities, those national credit and fiscal authorities may pursue the policies of their choice without, in general, being subject to significant outside influence.

As is well known, automatic repercussions on domestic incomes and liquidity of a disrupted balance between a country's external payments and receipts may operate to restore that balance. However, the external liquidity of a country in deficit may be insufficient to finance the excess of payments over receipts until the automatic adjustments take effect, and domestic and foreign economic policies may interfere with the adjustment mechanism. Furthermore, this mechanism may, in the same way as deliberate contractionary policies, restore external balance only at the cost of domestic disequilibrium in the form of unemployment and idle capacity. Global equilibrium in the economy of a country implies balance between domestic demand and supply as well as balance between external payments and receipts. With fixed exchange rates, national price and money-income systems which rigidly resist downward pressures in the deficit countries, and often monetary policies in the surplus countries which offset the expansionary impulse of the payments surplus, it is not, in fact, usual for automatic forces to operate to secure simultaneous internal and external balance.

The experience of the inter-war period heightened awareness that the conditions of internal and of external balance are not identical, and that the under-utilization of domestic resources may go together with a deficit in external payments. During the post-war period, when inflation rather than deflation has been the prevailing concern, this has sometimes tended to be forgotten, and it has been assumed that if only inflation were stopped the external accounts would take care of themselves. Yet, it is common experience that the foreign balance of a country may improve or deteriorate greatly without any causative change in the balance between domestic demand and supply and that, when inflation has been allowed to proceed for a time, subsequent contractionary policies may fail to restore the disrupted equilibrium.

With the relaxation of import restrictions and exchange controls in western Europe during the 'fifties, monetary policies have assumed increasing importance as a method of regulating balances of payments indirectly via domestic levels of demand and activity. The principal danger of this method — that it may lead to substantial under-utilization of domestic resources — has not been much in evidence, first because domestic demand pressures have, in fact, frequently been the cause of balance-of-payments deficits and, secondly, because international trade has expanded rapidly. In some countries, however, contractionary policies intended to safeguard the external balance have reduced domestic activity and expansion below levels desirable *per se*. Furthermore, where balance-of-payments deficits have been caused by inflationary increases in wages and prices, contractionary monetary policies have not been sufficient to restore external balance at satisfactory levels of domestic activity because of the, in practice, irreversible rise in money wages: money restraint has then had to be supplemented by direct import controls or by exchange-rate adjustment.

Economic Expansion and International Equilibrium

A somewhat rosy picture is often painted of the operation of the system of fixed exchange rates in the rather remote period before the First World War. That period exhibited a number of features closely connected with London's unique position as the centre of a relatively fluid international capital market and of international commodity markets [44] — conditions which are quite unlikely to arise again. Moreover, in the present context there is particular reason to stress, first, that people accepted then, to a degree unknown now, recessions and other economic misfortunes as acts of God rather than of man and, secondly, that the tolerably successful period under the gold standard from the middle 1890s to 1914 was one of rapid economic expansion and inflation in the international economy. The growth of population, and the widening of the natural-resources base through the migration of labour and capital to America and other continents, facilitated the adjustment to structural change; and the almost continuous rise in money wages and prices provided significant scope for a gradual reduction in the relative costs of any individual country without resort to reduction of wages or to adjustment of exchange rates.

After the slow growth or stagnation of the inter-war period, the last decade has again been a period of rapid economic expansion, in western Europe and in the world at large. Trade has grown even more rapidly than output, and the balance-of-payments position of most western European countries has improved, though considerable disparities in the strengths of different currencies still remain. There can be little doubt that the general economic expansion has been a crucial factor in the achievement of better balance between western Europe and North America as well as within western Europe itself. However, this expansion has in part been based upon conditions of a temporary character.

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[44] See the *Economic Survey of Europe in 1957*, Chapter IV, p. 3.

The role of the rapid growth of the labour supply in western Germany, and the slowing-down of that growth to be foreseen, have already been referred to. Investment has been stimulated in most countries by special temporary factors: the backlog of investment demand after the destruction and low investment rate during the war, the increase in real capital made attractive by the much higher levels of employment common to the post-war period, and the adjustment of capital to the large-scale changes in techniques and output structures, continued during the period partly under the influence of the increased international division of labour. Quite schematically: whereas the restoration of working capital would appear to have been largely completed at the beginning of the 'fifties,[45] the satisfaction of the above-mentioned special demands for fixed capital may be judged to coincide in time roughly with the western European boom's peaceful death, which might not otherwise have been brought about by the relatively mild restrictive policies applied.

It may be foreseen that the slower growth of western Germany's labour force[46] and the achievement of virtually full employment in that country, the trend towards shorter working hours in several countries, and the narrowing of the scope for further increase in the activity rate of the population of working age, will tend to slow down the growth of total output in western Europe, though probably not the rise in productivity. This is, of course, no more than a fairly weak influence which other factors might even more than counterbalance. However, to the effect of labour-market developments will be added those of the disappearance of the special post-war investment incentives referred to above. It should not be concluded that the western European economy will necessarily enter a period of stagnation with low levels of employment, but it would appear probable that the structure of investment will change towards longer-term, slower-yielding types. Capital deepening will become more important relative to capital widening, the capital-output ratio will tend to rise, and a larger part of the rise in total output will be accounted for by increasing productivity.

A decline in the rate of growth of total output in western Europe would render the adjustment to economic change and the correction of external imbalances more difficult. With a slower expansion of output and trade, deficit countries may expect domestic contractionary policies to prove less effective in improving their foreign balance, and the risk of under-utilization of labour and industrial capacity will become correspondingly larger.

One of the factors influencing the changing fashions in economic policies in the post-war period has been the increasing importance attached in several countries to the objectives of price and exchange-rate stability and to the operation of the market mechanism, relatively unhampered by direct controls, in both the national and the international fields. The danger, frequently referred to, which this development involves — that it will become increasingly difficult to maintain high activity levels and rapid economic expansion — may be looked upon as the consequence of an internal inconsistency in the policy objectives indicated above. With exchange rates stabilized by policy action and with money wages highly resistant to downward pressure, so large a part of the market mechanism is coagulated that its functioning becomes gravely impaired, and a large part of the adjustment to economic change has to take place through the slowing down or the reversal of expansion in deficit countries.

These perspectives hold out little hope to the countries exporting primary products that their terms of trade will recover appreciably from their present reduced levels. Favourable terms of trade will, of course, be to the benefit of real incomes in western Europe, but could not permanently strengthen the balance of payments of western European countries with the primary-exporting countries. The recent transfer of reserves from primary-exporting countries to western Europe could certainly not go on for long.[47]

The Pattern of Intra-western-European Transactions and Economic Integration

In the economic interrelations of the western European countries, a special responsibility rests upon the larger countries, because, on the one hand, the internal economies of these countries are large enough for autonomous domestic developments to be of considerable importance and, on the other hand, the foreign trade of these countries accounts for a large share of intra-western-European and of world trade. Among the largest countries western Germany is in by far the strongest external liquidity position and could play the role of the leader of a major expansion of western European activity and trade.

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[45] See Section 1 above. In western Germany, where post-war recovery had a later start, the time may be put at 1953.

[46] However, as mentioned in Chapter II, Section 4, in a number of smaller western European countries the population in the active age groups will increase at a higher rate from 1958 to 1963 than in the preceding five-year period.

[47] The net effect of low relative prices of primary goods on western Europe's dollar balance is uncertain. The bilateral balance with North America could be expected to improve, but the scope for multilateral dollar earnings would narrow. Presumably the first effect would prove the dominating one.

There are, furthermore, great differences between the geographical trade structures of individual countries. Three of the smaller countries — Denmark, Norway and Switzerland — receive between two-thirds and three-quarters of their merchandise imports from western Europe. For France, western Germany, and the United Kingdom, the shares of imports originating in western Europe in 1957 were, on the other hand, only 33, 44 and 24 per cent respectively. And on the export side there were similarly large differences, the United Kingdom sending only about 27 per cent and France about 40 per cent of their exports to western Europe, as against western Germany's more than 60 per cent. Thus, countries differ greatly in the extent to which they receive and transmit impulses from and to other western European countries.

In several respects international relations will be affected by the gradual integration now foreseen of the economies of the six member countries of the European Economic Community (EEC). It would appear,[48] that the pattern of regional foreign balances of the six countries combined is rather similar to that assumed to be traditional in western Germany — deficits with the dollar and sterling areas and a large compensating surplus with the rest of continental western Europe. In so far as the integration of the six economies causes a diversion of trade and strengthens their combined balance of payments, a burden of adjustment will be thrown upon outside countries; and particular importance of course attaches to the effect on the United Kingdom.

Further, this closer economic integration of the six and their associated territories, by tending to reduce their combined transactions with the outside world, may give to such transactions a more marginal character and thereby make them more sensitive to fluctuations in demand and activity inside the area of the Community. Such a development would face outside countries with the difficulty of adjusting themselves to recurrent wider fluctuations in their trade with the Community and thereby increase their need for international liquidity.

These various difficulties for outside countries may be reduced if economic expansion within the EEC accelerates. As pointed out before,[49] the integration of the six economies involves some danger of an unfavourable shift in the balance between contractionary and expansive factors; but it does, on the other hand, also hold out the opportunity of continued rapid expansion if the obstacles to international movement of capital, labour and other resources within the area are removed or significantly reduced. Moreover, the closer economic integration of the member countries of the Community may provide a large part of the solution to the problem posed by the west German payments surplus.

The liberalization of international transactions is gradually being extended to capital movements, and movements between countries of private capital have recently assumed increasing importance. Though this development creates some risks, and thereby calls for a closer co-operation among the monetary authorities of different countries, it also significantly widens the scope for adjustment of international imbalance, both among the industrial countries and between these and the less developed countries inside as well as outside western Europe; and it will tend to remove the, in a sense, abnormal features of the post-war international adjustment mechanism touched upon in Section 2 above.

The development of a common capital market for the countries of the EEC may well promote the establishment of better balance among these countries. However, the position here — or in respect of labour mobility within the EEC area — is analogous to that in the field of trade, that the benefits from the further liberalization implied by EEC arrangements do not depend upon their geographical limitation but would be increased by a widening of the circle of countries to which they apply.

The Importance of Trade Liberalization

The further liberalization of trade would promote the continued growth of real incomes; and, conversely, a principal risk of any more than a mild and temporary setback to international economic expansion is that it may induce countries to impose restrictions and thereby secure short-term alleviation of their difficulties at the cost of progress in the longer run.

The expansion of western Europe's trade during the 'fifties under the interconnected influences of economic expansion and the liberalization of trade and payments, as one would expect, has increased the share of multilateral relatively to bilateral settlements. Though this development has rendered the system of international payments more susceptible to dislocation, in so far as a default at any one point may interrupt a whole circuit of multilateral settlements, it has at the same time increased the capacity of the system for elastic adjustment to economic change.

The smaller the role of direct controls relatively to that of the price mechanism in regulating the flow of international transactions, and the larger the flow of international transactions, the more elastically will the balance of payments respond to economic policies. Furthermore, the relaxation of restrictions on international transactions has contributed to the growth of real incomes by promoting the international division of labour and by providing, through increased competition, a spur to technological and organizational progress. So far, however, the liberalization of intra-western-European trade has largely by-passed agriculture, which is almost certainly the field in which protectionism has caused the most serious deviations from the pattern of resource allocation that would have been achieved under free trade.

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[48] See Appendix Table XI.

[49] See the *Economic Survey of Europe in 1957*, Chapter V.

The contribution which a genuine liberalization of agricultural policies in western Europe, and more particularly in the industrial countries of central and north-western Europe, could make to further economic growth is very great indeed. It would be of obvious benefit to the less industrialized European countries of the Mediterranean region,[50] as well as to overseas exporters of agricultural products. It would promote the accelerated transfer of manpower, now employed at relatively low productivity levels from agriculture to other industries in the industrial countries, and thereby facilitate the maintenance of high rates of economic expansion. By tending to reduce the cost of food, it would both promote the growth of real wages in the industrial countries and, by holding down the cost of living, weaken the tendency for money wages to rise as employment expands. It would thus both widen the internal margin for expansion in the industrial countries and transmit more of the benefits of such expansion to less developed countries, inside as well as outside western Europe.[51]

The Introduction of Limited Convertibility

At the end of 1958, simultaneously with the French devaluation, holdings by non-residents of all the major western European currencies were made convertible into dollars and the European Monetary Agreement of 1955 went into force, superseding the European Payments Union.

Through the revision of the EPU in 1955 the automatic credit element in EPU-settlements had been greatly reduced and the role of gold and dollar settlements increased. This, combined with the decision of February 1955 by the British authorities to support the rate of transferable sterling *vis-à-vis* the dollar, involved already a considerable *de facto* convertibility of western European currencies. The approach to the latest changes has thus been a gradual one and, judged by their immediate effects, the introduction of more general convertibility (usually limited to non-resident balances deriving from current transactions) and the substitution of the European Monetary Agreement (EMA) of 1955 for the EPU are not very far-reaching measures.

In leading up to these developments the role of the official British support of the transferable rate was apparently very important. The large rise from 1955 in the net payments of gold and dollars by the United Kingdom to continental western European countries, as already mentioned, was not mainly due to movements in the current balance of the United Kingdom with these countries. It was rather the combined effect, first, of the official support of the transferable rate and, to a smaller extent, the sale against sterling of dollar commodities in consequence of the reopening of international commodity markets in the United Kingdom and, secondly, of the strengthened balance of payments of continental OEEC countries, and particularly of western Germany, with the overseas sterling area and with overseas non-dollar, non-sterling countries in surplus with the sterling area. There would appear, then, to have been established a payments pattern similar to that presumed to have existed in the last half of the 'twenties, when continental western European countries covered part of their dollar deficit through a surplus with the sterling area or with other countries which, in turn, were in surplus with the sterling area.

Undoubtedly, the risks of adverse capital movements assumed by the United Kingdom in introducing convertibility are larger than those of most other western European countries, because of the extensive use by other countries of sterling holdings as foreign exchange reserves. The position of some other countries, which engage in large-scale international transactions and have considerable foreign short-term liabilities, is also highly sensitive to changes in international confidence; but for these countries, as for the United Kingdom, the risks were already considerable before the introduction of formal convertibility and were hardly decisively increased by that step.

Apart from these capital risks there is, in circumstances where the introduction of sterling convertibility has been accompanied by that of all the major western European currencies, no *a priori* reason to expect that the current and recurrent demand for conversion of non-dollar currency holdings into dollars will be concentrated upon sterling; nor is it to be assumed that the total additional claims for conversion will assume very great proportions in the near future. The countries with relatively strong balances of payments, and which therefore will feel able to relax their restrictions on dollar payments, have in general already achieved a high degree of import liberalization, and the impact on their actual dollar imports of any further such steps will tend to be small. Other countries, where a relaxation of dollar import restrictions might lead to a relatively larger rise in imports, are generally those which are in a relatively weak global balance-of-payments position and which are therefore bound to show moderation in over-all import liberalization. For these reasons it is to be expected that the introduction of convertibility will only slowly raise the flow of payments in respect of trade and other transactions from western European countries to the dollar area. On the other hand, there can be little doubt that convertibility will operate ultimately to remove discrimination against the dollar area, and the benefits to western Europe of convertibility are largely dependent upon this effect.

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[50] See *Economic Survey of Europe in 1953*, Chapter 16, p. 203, and also Chapter V, Section 4, below.

[51] See, in this connexion, *Economic Survey of Europe in 1957*, Chapter V, on the long-run consequences of alternative rates of expansion in western Europe for the imports of agricultural products from other areas.

The impact on individual countries of whatever liberalization of imports takes place in consequence of the introduction of convertibility will mainly depend upon the type of dollar imports liberalized. Non-dollar countries exporting commodities of the type liberalized will face increased competition in their export markets. It is hardly possible to arrive at any definite conclusions concerning the relative impact on different western European countries. There is certainly no presumption that the exports of the United Kingdom will be particularly affected by increased competition from the dollar area. In any case, though the accelerated liberalization of dollar imports will dampen the tendency towards a strengthening of western European currencies *vis-à-vis* the dollar,[52] it is not be expected that the effect will be large in the near future and, over the longer run, the increased discrimination against dollar imports implied in closer western European economic integration may prove a more important influence on the relative strengths of the dollar and of non-dollar currencies.

Whereas, as has been noted, the currency reforms at the end of 1958 included comprehensive policy measures in France to correct that country's deficit, no parallel steps were taken to moderate the chronic surplus of western Germany. And though any improvement in the French balance of payments will automatically be reflected in small part in some reduction of the west German surplus below what it otherwise would be, there can be no doubt that if the French policies achieve the intended results the effect will be to increase the rate at which reserves are accumulated by France and western Germany combined. It is therefore not to be expected that a renewed expansion in western Europe can proceed very far unless serious efforts are made to reduce the accumulation of exchange reserves by western Germany.

Not only did the latest international currency reforms fail to tackle the special problem of the west German surplus, but they also failed to create more than minor additional facilities for dealing with such imbalances of international payments as are bound to appear from time to time. As has already been mentioned, the probability of a slower future growth of economic activity and trade in western Europe than in the earlier part of the post-war period will increase the need for an elastic mechanism of international adjustment, and for a reversal of the recent trend towards almost exclusive reliance on monetary policies in deficit countries as a means of restoring international balance even at the cost of reduced domestic activity.

The substitution of the ad hoc credits of the European Monetary Agreement for the automatic credits of the EPU, which have not been very effective in recent years, may be regarded as a step towards more rational arrangements, provided that appropriate principles in façt govern decisions whether, and how much, credit should be given in particular cases. The proposed increase in quotas in the International Monetary Fund may also provide a useful increase in international liquidity.

When the European Monetary Agreement was negotiated, some members proposed an appreciable widening of the margins for the fluctuations around parity of market rates of exchange and, though the Agreement states the intention of member countries to keep margins as stable and narrow as possible, it leaves members free to establish, and to change, the margins within which the market rate may fluctuate. When, at the end of 1958, the EMA superseded the EPU, no country in fact availed itself of the opportunity to adopt wider margins. It is a point of technique rather than of principle in what way exchange-rate policies are made more flexible, and the decision not to adopt wider margins will cause damage only if it should be symptomatic of an increased unwillingness to pursue flexible policies, and should thus signify that the rate of exchange is viewed as an objective of economic policy rather than as one of its principal instruments.

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[52] Another influence in the same direction, but probably not a strong one, will be that overseas non-dollar countries will have less reason to discriminate between areas of origin in the administration of their import restrictions.

CHAPTER IV

CONSUMPTION AND PROBLEMS OF DISTRIBUTION IN EASTERN EUROPE AND THE SOVIET UNION

Basic differences between the economic and social systems of the eastern European countries and the Soviet Union, on the one hand, and those of western Europe on the other, make it inevitable that any consideration of consumption trends in the former group of countries must start from a standpoint rather different from that of the following chapter. First, the share of national expenditure devoted to consumption in eastern Europe and the Soviet Union is more deliberately and effectively planned by the central authorities, and less the result of spontaneous individual decisions, than in western Europe. Secondly, not only the level but also the structure of total consumption in each of the former countries, as it has developed during the post-war period, has been determined to a large extent by the centrally-planned supplies of consumers' goods made available and only to a much lesser degree by consumers' choice.

Of course the consumers' market in every country is subject to some interference by the state authorities through taxes, import controls or other means; but in eastern Europe and the Soviet Union prices are used to adjust consumers' demand to a centrally determined pattern of supply to an extent not duplicated elsewhere. This is not to say either that the adjustment is always perfect (shop shortages and unsaleable surpluses are certainly not unknown in those countries), or that production plans for the consumption sector are made completely without regard to imbalances in the market or to the discrepancies between price and cost structures required to correct them. However, it remains true that neither the present structure of total consumption nor even the pattern of total private consumers' expenditure has been determined mainly by the impact of consumers' preferences on productive resources seeking the most profitable employment.

A further major difference between eastern Europe and the Soviet Union, on the one hand, and western Europe, on the other, is connected with the contrasts in social systems and property relationships. In the former countries the scope for investment out of personal incomes is much less, irrespective of differences in total per capita income levels, simply because of the very restricted possibilities of private ownership of productive assets and employment of labour. This is particularly true of the Soviet Union and Bulgaria, but much less so of eastern Germany, Poland and Hungary where the private sector in agriculture, handicrafts and trade is substantial.

In considering past and future trends of consumption in western Europe, the most interesting questions relate to the probable impact of future changes in consumption levels and patterns of consumer demand on the future growth and structure of production, and the implications for economic policies in the countries concerned. In eastern Europe and the Soviet Union, however, the most immediately relevant questions are rather different. With rising income and consumption levels, it is becoming increasingly necessary within each country to devote attention to the problem of so planning and organizing production and trade in the consumption sector as to secure quick response to, and if possible anticipation of, changes in consumers' demand if shortages and unsaleable surpluses are to be avoided and the maximum satisfaction generated by the increasing flow of resources into personal consumption. But a prerequisite for a more effective anticipation of consumers' preferences is a knowledge of existing consumption patterns and of the extent to which they differ from those to be expected at current levels of personal income with different price and supply relationships. Some appreciation of these needs is evident in the approaches to the formulation of the new long-term plans for the period 1960-1975 now in process of compilation, and in the current discussions of possible improvements in techniques of economic planning and organization.

In this chapter an attempt is made to assemble such data as exist on the past trends and structure of consumption in the eastern European countries and the Soviet Union, and to discuss in the light of this analysis some of the issues arising for future policy in this field.

1. Trends of Total Consumption and of its Main Components

As already indicated, the interpretation of consumption trends in eastern Europe and the Soviet Union presents certain special problems; and these are complicated by the nature of the statistical data available. International comparisons of the sector distribution of national expenditure are precluded by differences of definition and of pricing principles; and even within an individual country national expenditure aggregates are of limited value as indicators of trends.[1] The limitations on the use of such data already noted in Chapter V apply *a fortiori* to eastern Europe and the Soviet Union. These have been recognized in the countries concerned, and the improvement of national accounts calculations is being given high priority in a number of national statistical offices, notably in Hungary and Poland. Moreover, a working party of the Council for Mutual Economic Aid (CMEA), convened in Warsaw in June 1958, decided that a co-ordinated effort should be made to take stock of present differences in methodology of national income calculations, and to devise improvements. In particular it is hoped to elaborate methods for eliminating the effects of price distortions on the computation of shares of accumulation and consumption in national expenditure — thus permitting comparisons of such shares in the member countries and a better assessment of trends over time — as well as to evolve methods which will permit inter-country comparisons of the volume of personal consumption.

This new departure is, of course, linked with the efforts now being made to co-ordinate more closely the economic development of the member countries of CMEA; but it is also related to the greater attention now being paid to the consumption sector, and to the development of rational criteria of economic choice, within each individual country.

Per Capita Personal Consumption

The trend of personal consumption of goods in most of the eastern European countries during the post-war period seems to fall into three fairly clearly marked phases, though these do not exactly coincide for each country and eastern Germany provides an exception to the general experience.

In Czechoslovakia, Hungary and Poland — the three countries for which data on the volume of aggregate personal consumption are available for most of the ten years up to 1957 (see Table 1) — average per capita consumption rose fairly rapidly until about 1950/51.[2] But for several years thereafter investment drives and defence expenditures pressed ever more heavily on resources, and unforeseen stringencies were generally met, so far as possible, at the expense of consumption: supplies of fuels and materials to the consumer-goods industries became increasingly irregular as a result of the priority given to heavy industry, while slowly rising urban food supplies reflected the relative neglect of agriculture and the disincentive effects of farm price systems and collectivization campaigns. The share of consumption in national income was thus everywhere reduced, and consumption levels stagnated or fell until the bad harvests of 1952 brought standards in the following year decisively below those earlier achieved.

The general relaxations of defence and investment pressures which followed, together with gradual improvements in supplies to agriculture and in the terms of trade of the agricultural with the industrial sector, initiated the third and current phase — of rapid growth of consumption though with a temporary slackening in late 1955 and early 1956 — despite rates of expansion of national income rather slower than those recorded up to 1953. There has, however, been a marked reduction of the rate of increase in all three countries in 1958 (see Chapter I, section 2). This reflects the need for a pause for consolidation after the

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[1] Some of the difficulties in the way of analysing consumption trends in eastern Europe and the Soviet Union have been discussed, and attempts made to overcome them, in earlier SURVEYS. (See, in particular, the SURVEYS for 1949 Chapter 2, 1953 Chapter 4, 1954 Chapter 2 and 1955 Chapter 6; and also " The Hungarian Economy in the Spring of 1957" and " The Polish Economy since 1950 ", *Economic Bulletin for Europe*, Vol. 9, Nos. 1 and 3). There are two major stumbling-blocks in the way of international comparisons of national expenditure aggregates. The first is the fact that the western European countries include services in the national product, whereas only material production plus some " productive services " are included under Soviet and eastern European definitions; and even within eastern Europe the coverage of such aggregates as accumulation and personal or collective consumption varies considerably from one country to another. The second main difficulty is the virtual impossibility of producing a logical calculation of national expenditure at factor cost in the latter group of countries, combined with the distortion of relative investment and consumption shares in national expenditure at market prices produced by the eastern European and Soviet practice of levying by far the greater part of turnover tax—the main source of central budget revenue and investment finance—on consumers' goods. Of course, even a solution of these problems would not, by itself, permit inter-country comparisons of absolute volumes of consumption. Moreover, multiple pricing and the fact that official prices have frequently not been " equilibrium " market prices are among the factors greatly reducing the significance of such data as have been published on trends in the volume of consumption in individual countries.

[2] The figures in Table 1 cover only personal consumption of goods, including under this definition personal consumption in institutions (e.g., consumption in hospitals, army food and uniforms, etc). In eastern Germany personal consumption includes investment in and maintenance of dwellings: elsewhere it includes only depreciation of dwellings.

Table 1

Personal consumption[a] in selected eastern European countries 1948 to 1957

Index numbers of per capita volume, 1953 = 100, and percentage shares in national income

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Bulgaria										
Index	..	..	..	..	85	100	110	123	131	141
Percentage share	..	..	..	..	66.6	65.9	74.4	76.6	78.9	80 *
Czechoslovakia										
Index	87	90	104	104	104	100	113	122	128	138
Percentage share	74	69	73	67	62	57	62	61	61	62
Hungary										
Index	..	95	99	103	98	100	119	127	137	146
Percentage share	..	67.3	59.3	52.3	51.0	46.4	57.7			
							69.8	70.3	84.5	71
Poland										
Index	..	86	92	97	99	100	115	123	134	147
Percentage share	..	69.1	63.1	63.0	60.8	55.4	60.0	60.2		
								72.2	74.5	73.8
Corrected for quality changes[b]:										
Index	..	96	103	105	104	100	116	125	..	..
Percentage share	..	69.1	63.1	62.3	59.4	52.8	57.6	58.0	..	..
Eastern Germany										
Percentage share A	..	..	68.8	67.4	67.8	69.2	70.9	71.7	..	..
B	..	..	84.5	83.9	83.6	82.3	84.0	81.2	78.3	77.9

Sources: National statistics; *Statistický Obzor*, No. 10, 1954; *Zahraniční obchod*, Nos. 4, 1957, and 7, 1958; *Hospodářské Noviny*, Supplement 1957; and direct communications from governments.

NOTE. — Figures are based on data in constant prices of the following base years: Bulgaria, 1952; Czechoslovakia, 1955; Hungary, 1949 and 1954; Poland, 1950 and 1956. For eastern Germany the percentages are based on data in current prices. Series A for eastern Germany relates to percentages of net national product, including reparation deliveries and foreign trade subsidies, series B to percentages of disposable net national income, which is the basis of computation for Bulgaria, Hungary and Poland also.

[a] Material consumption as defined in the national accounts of the respective countries.

[b] The price index used to deflate consumption at current prices has been adjusted to allow for changes in quality of the goods covered by the index

large increases in consumers' real incomes conceded in both countries in the preceding years, which had been made possible in part by external aid, now exhausted.

The development of over-all consumption levels in Bulgaria seems to have been not dissimilar to the broad trends, already described, in Czechoslovakia, Hungary and Poland. The stagnation of the volume of retail sales of food from 1951 to 1953 (see Chart 1 below), when normally a rising trend could have been expected simply as a result of the increasing share of consumption passing through the retail network, suggests a decline in per capita food consumption during these years. The fall and subsequent recovery of sales of manufactured goods also seem to have been similar in Bulgaria to those registered in the three countries just mentioned, though occurring rather earlier. In Rumania, the same imperfect indicator provided by the volume of retail sales shows a marked slackening of the rate of growth from 1950 to 1952, again suggesting a rather similar consumption cycle to that in the other countries. Some slowing down of the growth of consumption seems to have occurred in the Soviet Union in 1952 and 1955, though again the available evidence is hardly sufficient to identify the trends.[3]

In eastern Germany consumption levels were very low in 1950 in relation both to pre-war standards and — as comparisons of food consumption indicate — to contemporary standards in some other eastern European countries. Since then a rapid growth has certainly been achieved, sufficient to give eastern Germany, with Czechoslovakia, the highest standards within the area.

The estimates of retail trade turnover in eastern Germany, which reflect over-all consumption trends more faithfully than do similar series elsewhere in eastern Europe, nevertheless show clearly a temporary slackening of the rate of increase in 1955-1956:

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[3] Some indirect indications of the development during 1952 to 1956 can be gathered from index numbers of physical quantity of consumption of the main groups of commodities based on (unpublished) family budget data (see Appendix Table II). Despite the very serious limitations of such data when regarded as substitutes for consumption aggregates, they indicate that a considerable increase of consumption took place between 1952 and 1954, followed by stagnation or even decline in 1955 and only a small increase in 1956. However to judge by index numbers of retail sales of manufactures, a further sharp improvement certainly followed in 1957.

Retail trade turnover

	Millions of DM	*Percentage of corresponding period of previous year*
1955 Calendar year . . .	31 559	106.2
Oct. 1955-Sept. 1956 . . .	31 895	101.7
1956 Calendar year . . .	32 648	103.5

Source : *Statistisches Jahrbuch*, 1956.

Within the three broad phases of development in most countries just described, marked changes in per capita consumption levels and in the share of consumption in national income have occurred from year to year. For example, the sharp rise in personal consumption in Czechoslovakia and Hungary in 1954 coincided with an actual fall in national income in the latter country and only a moderate increase in Czechoslovakia. Consumption absorbed a virtually unchanged share of normally rising total income in both countries in 1955 and then rose again very sharply in Hungary in 1956, under the impact of the buyers' rush in the fourth quarter, and rapidly also in Poland both in 1956 and 1957. Such sudden short-term variations in the level and share of personal consumption in these countries and elsewhere have depended to some extent on harvest variations but, even more, on the willingness of the authorities to release stocks or temporarily to change the composition of foreign trade to absorb sudden rises in personal incomes. Spontaneous changes in personal saving have been of little, if any, importance as a cause of fluctuations before 1957, though during the last year or two increased supplies of building materials and equipment of various kinds have channelled a part of the rise in personal incomes, of farmers in particular, towards private investment rather than consumption.

The contributions of each major sector of personal consumption to the year-to-year changes in the total can be identified exactly only for Hungary. As can be seen from Table 2, both the decline from 1951 to 1952 and the marked rises from 1953 to 1954 and in 1956 or 1957 were due mainly to sharp variations in supplies of manufactured goods. Nevertheless, the weight of food in the total is such that the over-all rise since 1953 has depended heavily on the growth of food supplies, while the weight of the imputed value of housing depreciation is so small that the apparent rate of growth of total consumption is not significantly depressed by the very slow growth of the housing stock (see below).[4]

TABLE 2

Structure of total personal consumption [a] in Hungary

Millions of forints and index numbers of volume (1953 = 100)

Year	Food, drink and tobacco	Manufactures	Heat and light	Housing depreciation	Total
			Millions of forints		
At 1949 prices					
1949	14 589	8 237	1 361	700	24 887
1954	17 735	12 525	1 770	750	32 780
At 1954 prices					
1954	36 607	19 597	3 031	750	59 985
1957	44 758	26 307	3 000 *	790 *	74 855
			Index numbers of volume (1953 = 100)		
At 1949 prices					
1949	92	92	81	95	91
1950	97	100	82	96	97
1951	95	114	89	97	101
1952	100	93	93	99	97
1953	100	100	100	100	100
1954	111	140	105	101	120
At 1954 prices					
1954	111	140	105	101	120
1955	122	145	104	104	129
1956	131	166	104	105	140
1957	136	188	104 *	107 *	150

Source : Hungarian Statistical Yearbooks, 1956 and 1957.

[a] Material consumption as defined in Hungarian national accounts.

While the data already described, and the more partial indicators discussed subsequently in this chapter, justify the assessment of the general trends of development given above, the figures in Table 1 cannot be taken as exact measurements either of the absolute increase in the volume of per capita consumption in any country over the whole period covered or of variations among countries in relative rates of growth of, or shares of resources devoted to, personal consumption. Changes in relative prices during the period have been sufficient in all countries to produce marked differences not only in the apparent shares of consumption in national income but even in the percentage rise of the total volume of consumption over the period, depending upon the price basis chosen; and many of the factors tending to inflate the apparent growth of consumption (particularly food consumption) and national income already mentioned in section 1 of Chapter V are operative also in eastern European countries. An additional factor reinforcing this tendency — particularly in the countries with a very large rural population — is the practice, usual in eastern Europe, of pricing self-consumption of peasant households at the weighted average of farm selling-prices, and urban consumption at the much higher retail prices. The declining share of self-consumption in the total thus tends to inflate the over-all index.[5] Of the data shown in Table 1, probably the trend of apparent consumption in Bulgaria is the most inflated, in view of the basis of valuation at 1952 prices (very low farm selling prices and very high retail prices) and the rapid passage from subsistence farming to market sales in subsequent years, partly as a consequence of collectivization. Official statistics thus indicate a 75 per cent increase of total personal consumption between 1952 and 1957, but a rise of gross agricultural output by only 25 per cent (and by only 5 per cent if comparison is made with either 1951 or 1953 instead of 1952).

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[4] It is noticeable that the share of food in total consumption at current prices was increased as a result of relative price changes between 1949 and 1954. Both retail prices of foodstuffs and farmers' selling prices more than doubled between these years, while retail prices of manufactured goods rose by about 60 per cent.

Little more can be said about the share of consumption in total resources than that it is certainly lower now in all eastern European countries than in the inter-war period, when investment and government consumption were both very low in absolute as well as in relative terms, and certainly higher, in most of them, in 1957-58 than in 1952-53. The effects on the consumption share of a change in the basis of valuation from the prices of an earlier year to prices of a later year are illustrated for Hungary and Poland by the data in Table 1. The Polish Statistical Office has, moreover, pointed out that " the structure of the actual realization prices applied in the calculation of the final distribution of the national income causes . . . the shares of accumulation and consumption . . . not to correspond to their actual shares, based on the amount of socially indispensable labour expended on the goods which constitute the consumption fund and on those which constitute the accumulation fund ". The observation follows that these methods of calculation " distort in some way both the proportions and the dynamics of national income ".[6] The Polish statisticians have therefore recalculated the main components of net national income and expenditure in 1955 and 1956 in so-called " conventional 1956 prices " or, in other words, on something approaching a " factor cost " basis (in the terminology of the United Nations system of national accounts) — i.e. on the basis of 1956 production costs (as defined in Poland) excluding taxes and subsidies on production. Production and consumption of agricultural products were valued at the average of farm selling prices, and imports at the estimated domestic production costs of the exports required to purchase them. The result is a significant reduction in the apparent share of consumption in national expenditure.

Distribution of national income in Poland

	At 1956 realized prices		*At " conventional 1956 prices "*	
	Percentage shares		*Percentage shares*	
	1955	*1956*	*1955*	*1956*
Consumption . .	80.1	79.8	70.8	73.2
Personal . . .	*74.4*	*74.5*	*65.9*	*68.5*
Collective . .	*5.7*	*5.3*	*4.9*	*4.7*
Accumulation .	19.9	20.2	29.2	26.8

Source : Dochód Narodowy Polski 1956, Warsaw, 1958.

As has already been noted, the data so far discussed cover only material consumption by individuals.[7] Services directly provided to them — transport and communications, entertainment, health and education, the imputed value of housing space — are completely excluded from personal consumption in the national accounts and are generally incorporated in collective consumption and national income only to the extent of the materials consumed in providing such services. Changes in consumption of some of these services are discussed below. It is difficult to assess the effect on the apparent trend of over-all consumption of their addition to the data reviewed above, but it can be said, in general terms, that everywhere housing standards deteriorated during the early post-war period and in most countries have only recently begun to improve significantly: health, education and cultural facilities, on the other hand, have greatly expanded, and probably faster in the years up to 1953 than subsequently.

Food Consumption

Until very recently there has been a close connexion, even in the most economically developed eastern European countries, between the trend of total material consumption and that of the quantities of staple foods consumed. Not only does food weigh heavily in total consumption expenditure but, in contrast with the situation in the industrialized countries of western Europe, per capita consumption in physical terms of nearly all staple foodstuffs has so far risen quite quickly with rising incomes. This is true both of trends over time [8] and of the differences between lower and higher income groups at a point in

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[5] The Polish Statistical Office has recomputed the 1954 and 1955 national accounts valuing self-consumption at urban retail prices less the trade margin. The results are as follows:

	1954		*1955*	
	Usual calculation	*Revised calculation*	*Usual calculation*	*Revised calculation*
Consumption . . .	154.0	168.2	165.2	179.7
Personal	*139.2*	*153.4*	*147.4*	*161.9*
Collective	*14.8*	*14.8*	*17.8*	*17.8*
Accumulation . . .	47.4	47.4	49.2	49.2
Disposable national income	201.4	215.6	214.4	228.9

Source : Dochód Narodowy Polski, 1954 i 1955, Warsaw, 1957.

[6] *Dochód Narodowy Polski, 1956*, Warsaw, 1958.

[7] Including such services (transport, retail distribution etc.) as are incorporated in the final selling price of goods.

[8] Except perhaps in Czechoslovakia in 1957, when increased expenditure on, and saving for later purchase of, durable goods seems to have contributed to a relative stabilization of food consumption despite the rise in total personal income.

TABLE 3

Per capita daily consumption of the main nutrients in Czechoslovakia, Hungary and Poland pre-war and post-war

	Calories	Proteins	*of which:* animal proteins	Fats	Carbo-hydrates
		in grammes			
Czechoslovakia					
1936	2 545	73	32	79	396
1947	2 162	65	32	57	347
1949	2 457	70	30	66	399
1953	2 793	78	33	79	448
1954	2 815	79	33	79	448
1955	2 901	82	36	83	454
1956	3 099	87	40	97	474
1957	3 068	89	43	99	459
Hungary					
1934-1938 .	2 770	82	25	71	396
1950	2 840	89	29	80	410
1951	2 896	89	28	81	421
1952	2 909	87	27	82	424
1953	2 935	87	24	75	446
1954	2 957	87	27	80	439
1955	3 122	91	28	88	457
1956	3 236	96	31	95	464
Poland					
1934-1938 .	2 710	79	23	62	. .
1950	3 170	86	38	75	538
1955	3 180	89	46	85	514

Sources: 1934-38, FAO Food Balance Sheets; national statistics; and *Az élelmiszerfogyasztás alakulása Magyarországon*, Budapest, 1957.

NOTE.—Conversion factors used in national estimates are not identical with those used by the FAO.

time, as revealed in the family budget studies discussed in section 2 below. In this respect, the dynamics of food consumption in eastern Europe and the Soviet Union seem to be nearer to those in southern Europe than to those of the industrialized countries of the north-west (see Chapter V, section 2), though it is highly probable that very high levels of food consumption (in terms of calorie intake) in the higher income groups in some countries is associated with the extremely high prices and low supplies of alternative consumption (e.g., of good quality textiles and consumers' durable goods).[9]

Changes in the structure of food consumption since before the war can be assessed only for Czechoslovakia, Hungary and Poland (see Table 3). In the first two countries an increased average calorie intake does not seem to have been accompanied by any significant improvement in the average quality of the diet until about 1955. In Poland, on the other hand, there was a significant improvement in the share of animal protein between 1934-1938 and 1950, largely attributable to changes in territory and population, but very little change thereafter until 1956.

Average per capita calorie intake in recent years seems to have been insignificantly different in eastern Europe from the levels in western European countries of comparable climatic conditions (see Table 4 and Appendix Table I). But the structural variations from country to country are striking even when allowance is made for differences of climate. The share of total calories derived from cereals and potatoes is highest in Bulgaria, Rumania and Poland, and roughly comparable with the shares in Yugoslavia and Turkey. In eastern Germany, Czechoslovakia and Hungary the share is less, and falls between the highest registered in the industrialized countries of western Europe and the lowest in the poorer countries of the south.

The over-all picture of eastern European food consumption conceals considerable variations, both in current standards and — probably even more — in past trends, between the towns and the countryside. Before the war, and especially in the depression years of the 'thirties, peasants' consumption was generally very low for all products for which there was a relatively good market (animal products especially) and for processed foods which had to be bought for cash, such as sugar and vegetable fats. Grain and potatoes provided an overwhelming share of their diet, the actual year-to-year levels of consumption varying with harvest fluctuations and market conditions.[10] Since the war, peasants' consumption of the higher quality foods has risen. Unfavourable terms of trade with the industrial sector in the early 'fifties, and the lack of incentive to invest in their farms, tended to encourage peasants to retain a larger share of their output for household consumption, while the increase in peasants' cash incomes derived from work outside the farm increased their competition with the urban population for retail supplies of foods.[11] The greatly increased urban populations have thus faced recurrent shortages of particular foodstuffs even at times when the country-wide level of average consumption has

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[9] In Hungary, the actual and nutritionally desirable levels of average per capita calorie intake of wage-earners' families (allowing for family composition) in five income groups in 1956 have been assessed as follows:

Income group (in ascending order)	*Per capita daily calorie intake*	
	Actual	*Desirable*
I	2248	2731
II	2524	2785
III	2852	2858
IV	3012	2871
V	3246	2803

Source: Statisztikai Szemle, No. 3, 1958.

[10] In Hungary, for example, grain consumption per capita in 1926-1935 was 282 kg. for the agricultural population and 93 for the non-agricultural population. (*Statisztikai Szemle*, No. 6, 1958, p. 450.)

[11] On the significance of the "peasant-worker" group, see the SURVEY for 1957, Chapter VII, section 2.

TABLE 4

Contribution of the principal foodstuffs to total calorie consumption in eastern European countries

Country	Year	Per capita daily calorie intake	Cereals and potatoes	Sugar and confectionery	Vegetables and fruit	Pulses	Fats [a]	Meat and eggs	Dairy products [b]
			Percentage of total						
Bulgaria [c]	1957	2 880	65	3	7	3	11	6	3
Czechoslovakia . . .	1956	3 099	51	11	5	½	14	11	8
Eastern Germany [c] . .	1957	3 000 *	49	10	3		21	9	6
Hungary	1955	3 122	56	9	4	2	17	7	5
Poland [c]	1956	3 100	61	9	3		10	7	11
Rumania	1953	2 900 *	67 [d]	. .	. .	. .	. .	. .	. .

Sources : As for Tables 3 and 5, and *Probleme Economice*, No. 7, 1958.

[a] Including butter.

[b] Excluding butter.

[c] Rough calculation by the secretariat from per capita consumption figures (see Table 5), using FAO coefficients.

[d] Cereals only.

been increasing.[12] It seems that in most countries food consumption standards have improved fairly steadily in the countryside throughout the post-war period, whereas in the towns there have been marked fluctuations, with no very clear upward trend until recently. However, it must be remembered that the movement of peasants into urban occupations, with urban standards of food consumption, nevertheless implied a rise in their individual living standards.

The national average levels and patterns of food consumption in the post-war period have reflected the fluctuations of agricultural output and of foreign trade policies. Both in the Soviet Union and in eastern Europe, output recovered fast up to about 1950-51, subject to year-to-year harvest variations; but thereafter production stagnated or declined until the gradual revision of agricultural policies after 1953 — providing greater incentives to farmers and more fertilizers and other supplies — eventually brought about a significant new upturn in output around 1955 or 1956. Higher consumption by peasants, larger average food requirements due to the rapid pace of urbanization and stagnating, or only slowly rising, agricultural output drastically reduced the pre-war export surpluses of the traditional food-exporting countries; and Czechoslovakia and eastern Germany emerged as major food importers in an area which, as a whole and excluding the Soviet Union, now had a net deficit in its international trade in foodstuffs.[13] It is broadly true to say that in the early 'fifties domestic consumption was strictly limited in most countries in the interests of exports, or of low food-import bills, but that from about 1954 onwards more importance has generally been attached to maintaining or raising domestic consumption.[14]

Nevertheless, bread supplies always seem to have been regarded by the governments of the area as a first priority, to be assured even at the expense of heavy imports;[15] and bread has provided, particularly for urban consumers, the basic replacement for other foods temporarily in short supply. This, and the maintenance of old consumption habits among the new urban residents, probably account, in part, for the rather surprising rise in apparent flour consumption since before the war in all but one of the countries covered by the data in Table 5;[16] a rise which seems

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[12] Inadequate distributive and food processing services have also been partly responsible (see below).

[13] For a discussion of changes in trade patterns, see the SURVEY for 1957, Chapter VI.

[14] For further details on the points in this paragraph, see *European Agriculture, a Statement of Problems*, ECE, 1954 and subsequent annual SURVEYS, and "The Economy of Hungary 1950 to 1954" and "The Polish Economy since 1950", *Economic Bulletin for Europe*, Vol. 7, No. 2 and Vol. 9, No. 3.

[15] Or a cutting down of exports. Thus, for example, Hungarian flour consumption has been more stable since than before the war, despite continuing harvest fluctuations :

Index numbers of bread grain production and per capita flour consumption in Hungary

(Lowest pre-war and post-war years = 100)

Pre-war			*Post-war*		
Year	*Production*	*Consumption*	*Year*	*Production*	*Consumption*
1931 . . .	106.0	101.0			
1932 . . .	106.0	117.2	1950 . . .	133.2	*100.0*
1933 . . .	150.2	111.9	1951 . . .	146.9	105.3
1934 . . .	*100.0*	*100.0*	1952 . . .	104.8	105.7
1935 . . .	126.8	134.0	1953 . . .	128.1	108.8
1936 . . .	130.2	119.5	1954 . . .	*100.0*	103.2
1937 . . .	108.3	115.8	1955 . . .	125.0	106.6
1938 . . .	146.6	137.2	1956 . . .	109.2	109.8

Source : Statisztikai Szemle, No. 5, 1958.

[16] All the data in the table have been established by combining quite reliable figures of sales with rough estimates of peasants' self-consumption. According to recent criticisms in Poland, this factor has resulted in an over-estimation of consumption of grains and milk in that country, and an under-estimation for meat, fruit and vegetables. The data do not permit more than rough inter-country comparisons or assessments of the magnitude of changes from the pre-war to the post-war period.

TABLE 5

Food consumption in five eastern European countries

Kilogrammes[a] per inhabitant per year

Country and year	Cereals (in flour equivalent)	Potatoes	Sugar	Vegetables	Fruit	Meat and meat products (excluding fats)	Eggs	Fish and fish products	Milk and milk products (excluding butter)	Fresh milk	Oils and fats (including butter)
Bulgaria											
1934-38 [b]	222.3	8.6	2.5	85.7	36.8	22.4	72	1.0	..	73.0	8.8
1953	192.1	19.2	3.1	64.8	59.3	19.3	74	0.8	..	32.6	10.3
1954	197.1	21.1	5.2	71.5	77.9	25.4	74	1.4	..	37.3	12.2
1955	187.5	23.6	5.9	74.8	60.3	23.5	84	1.2	..	55.6	13.0
1956	190.5	24.7	6.5	80.4	53.5	26.9	85	1.8	..	56.2	14.7
1957	189.0	23.7	7.8	88.3	90.3	28.6	98	2.0	..	59.4	15.2
Czechoslovakia											
1936 [b]	118.3	118.9	23.8	67.1	46.0	32.9	137	2.1	194.1	164.2	15.1
1948	123.8	95.2	22.7	78.4	52.2	28.4	95	3.8	154.0	124.9	9.8
1949	124.1	114.3	26.2	78.1	57.7	32.2	139	2.6	184.4	147.3	11.9
1953	141.1	127.2	28.3	84.7	65.7	40.1	185	2.8	186.3	148.0	14.8
1954	135.1	124.2	33.0	71.8	45.6	42.6	161	3.7	194.3	147.3	16.6
1955	135.8	121.4	33.7	84.1	44.1	46.4	164	3.8	199.8	149.3	16.9
1956	136.3	126.7	34.2	68.9	48.4	48.4	167	3.6	195.0	141.2	17.1
1957	125.9	131.8	33.5	74.8	34.2	51.0	174	3.5	191.2	133.7	17.4
Eastern Germany											
1936 [b]	103.4	170.8	22.9	..	..	47.8	117.0	..	..	127.0	23.9
1950	120.4	219.3	21.8	..	..	25.6	63.1	..	..	74.0	11.5
1951	120.7	210.6	31.5	..	..	32.7	70.1	..	..	78.0	16.2
1952	120.5	182.6	30.0	..	..	38.6	87.5	..	..	89.9	18.2
1953	120.3	197.3	25.0	..	..	42.1	107.6	..	..	78.8	20.3
1954	115.8	176.5	30.0	..	..	45.8	113.5	..	..	78.6	23.9
1955	114.8	169.6	25.8	..	..	45.1	116.2	14.0	..	84.5	24.9
1956	..	170.3	29.9	..	..	46.7	144.0	..	..	89.1	25.4
1957	118.5	173.1	28.7	..	..	48.0	163.0	..	..	95.1	26.5
Hungary											
1934-38	144.7	130.0	10.5	..	..	33	..	..	101.9	..	17
1950	141.3	108.7	16.3	75.3	39.6	34.3	85.0	0.6	112.0	..	18.7
1951	149.0	106.7	16.4	69.4	31.0	34.5	80	0.6	96.5	..	19.2
1952	149.4	102.9	19.8	49.3	29.7	36.4	88	0.6	77.3	..	22.0
1953	153.8	109.7	21.1	76.4	42.1	28.3	62.0	0.6	88.8	..	18.2
1954	146.0	113.4	24.3	65.5	31.7	33.0	84.0	0.7	93.8	..	19.6
1955	150.6	120.3	24.5	75.5	45.2	36.9	102	0.7	87.1	75	22.1
1956	155.0	121.9	25.0	..	..	42.0	123	..	90*	..	23.5
Poland											
1933-37 [b]	136.8	..	9.6	..	..	19.6 [c]	.	2.3	192* [d]	..	..
1949	163.3	..	19.3	..	..	24.4 [e]	116	2.1	205.8	..	8.3
1950	165.8	..	21.0	..	..	32.0 [e]	116	2.0	203.4	..	11.2
1951	160.4	..	24.9	..	..	32.1 [e]	127	2.8	213.5	..	11.4
1952	160.5	234 [f]	22.4	..	..	27.7 [e]	130	3.5	205.4	..	11.1
1953	163.3	233 [f]	19.9	..	..	30.0 [e]	125	3.3	202.9	..	11.3
1954	166.0	214 [f]	22.4	84.0	9.6	31.3 [e]	135	3.8	198.4	..	12.1
1955	170.7	206 [f]	24.0	67.4	12.8	32.9 [e]	137	4.3	202.3	174	12.8
1956	156.0	213 [f]	25.2	71.8	18.1	36.3 [e]	127	4.7	205.2	..	13.7
1957	..	..	26.5	80.6	12.8	40.3 [e]	129	..	210.7	..	14.5

Sources and methods : See Appendix B.

[a] Numbers of eggs; litres of milk (except in Hungary, and for " Milk and milk products " in Czechoslovakia), the fat content of which varies from country to country (see Appendix B); fats consumption is shown in terms of fat equivalent in Czechoslovakia and eastern Germany, in terms of gross weight elsewhere.

[b] Pre-war boundaries.

[c] Including pork fat.

[d] 1938.

[e] Excluding game, poultry and offal, the total of which was estimated to amount to around 4-5 kilogrammes per inhabitant in the years 1954-1957.

Refers to agricultural years.

TABLE 6

Consumption of fats in five eastern European countries

Kilogrammes[a] *per inhabitant per year*

	1950	1951	1952	1953	1954	1955	1956	1957
Bulgaria								
Total	..	..	..	10.3	12.2	13.0	14.7	15.2
of which : Butter	..	..	..	0.8	0.8	1.1	1.2	1.2
Other animal fats	..	..	..	2.9	..	4.8	..	5.6
Vegetable fats and oils	..	..	..	6.6	..	7.1	..	8.4
Czechoslovakia								
Total	13.2 [b]	16.3	..	16.7	18.6	19.0	19.3	19.5
of which : Butter	4.6 [b]	5.1	..	4.2	5.0	5.1	5.5	5.6
Other animal fats	3.8 [b]	5.2	..	6.2	6.8	7.0	6.5	6.4
Vegetable fats and oils	4.8 [b]	6.0	..	6.3	6.8	6.9	7.3	7.5
Eastern Germany								
Total	12.5	17.5	20.3	20.3	25.6	27.7	28.7	28.8
of which : Butter	5.6	7.9	8.4	9.6	10.3	9.6	10.0	10.4
Other animal fats	4.3	5.4	6.5	7.3	7.1	7.7	7.9	8.3
Vegetable fats and oils	2.6	4.2	5.4	6.1	8.2	10.4	10.8	10.1
Hungary								
Total	18.7	19.2	22.0	18.29	19.6	22.1	23.5	..
of which : Butter	1.0	1.0	0.9	0.8	1.0	1.0	1.0*	..
Other animal fats	15.8	15.6	16.9	14.9	16.1	18.5	20.3	..
Vegetable fats and oils	1.9	2.6	2.2	2.5	2.5	2.6	2.2	..
Poland								
Total	11.2	11.4	11.1	11.3	12.1	12.8	13.7	14.5
of which : Butter	3.3	3.9	4.0	4.0	4.6	4.8	5.0	5.3
Other animal fats	6.2	5.8	5.2	5.5	5.7	6.1	6.8	7.5
Vegetable fats and oils	1.7	1.7	1.9	1.8	1.8	1.9	1.9	1.7

Sources : National statistics; *Vierteljahreshefte zur Statistik*, No. 3, 1958; direct communications from governments.

[a] All figures are in terms of gross weight.
[b] 1949.

in some instances even to have continued until very recent years, and provides a striking contrast with the trends in western Europe illustrated in Table 6 of Chapter V.[17]

Sugar supplies to the home consumer have also apparently been given high priority by the authorities, reflected in reductions in exports from Czechoslovakia, eastern Germany, Hungary and Poland after bad beet crops; and in the Soviet Union net imports have to some extent compensated fluctuations in domestic production, as they have recently in Rumania also. Within the over-all rise since before the war recorded everywhere,[18] peasant families have undoubtedly raised their consumption more than have those in the towns.

The almost equally general fall in consumption of fresh milk since before the war, illustrated in Table 6, is explainable partly by its poor quality and by inadequate distribution facilities which have limited effective consumer-demand. The low Albanian per capita consumption (95 litres of fresh milk and dairy produce in 1957) is, however, due entirely to inadequate supplies, milk yields per cow being 660 kg in 1957. In eastern Germany, after the suppression of milk rationing in May 1958, the higher demand for fresh milk could not be fully met, despite rising production, because of the insufficiencies of a distribution network accustomed to low and regular turnover.[19] However, a rapidly growing consumption of fats — now well above pre-war levels in all countries for which data are available — in any case competed for low and only slowly growing milk supplies. Only in Czechoslovakia and eastern Germany has this demand been met to a significant extent by restoring traditional imports of oil seeds; and in the latter country limitations on such imports until recent years resulted in more than two-thirds of the milk sold off farms being turned into butter. Between 1950 and 1955 east German butter production doubled while consumption of fresh milk rose by only 14 per cent.

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[17] Part of the apparent rise in flour consumption in eastern Europe may, however, be attributable to the inclusion of bread fed to animals, since the price of bread has been below the free-market price of the equivalent fodder. Changes in quality (towards " whiter " bread) may also be a contributory factor.

[18] In Rumania, not covered by the figures in Table 5, per capita sugar consumption rose from 5.5. kg. in 1938 to 14.4 kg. in 1957, the best post-war year.

[19] In Hungary the reduction of distribution facilities is illustrated by the rise in the number of inhabitants per shop selling milk in Budapest from 305 before the war to about 850 in 1956 (*Statisztikai Szemle*, No. 4-5, 1957).

Variations in the structure of fats consumption among eastern European countries (see Table 6) are largely attributable to long-established differences in consumers' tastes. It is also noticeable that Poland appears to be an exception to the general tendencies just described, in exhibiting a relatively much greater preference for consumption of fresh milk and cream (both included under " milk " in Table 5) than for butter, which absorbs less than half of total milk production, and other fats.[20] In Hungary and Poland the stagnation or decline in fats consumption in the early 'fifties reflected the difficulties of expanding livestock production during that period, and it seems probable that data for Czechoslovakia would show a similar development.

Pre-war meat consumption levels (very low in the inter-war depression years) were about regained in Czechoslovakia and Hungary by the end of the reconstruction period, and had already increased substantially in Poland. Subsequently, foreign trade policies strongly influenced consumption. In the early 'fifties imports of meat were rather marginal in eastern Germany and Czechoslovakia, and elsewhere exports were expanded with little regard for domestic consumption, which declined in Hungary and Poland. But in more recent years higher imports, or decreases or stabilization of exports, have supplemented the contribution of rising home production to higher consumption levels; in Bulgaria, for example, output of meat has increased from 207,000 tons slaughter weight in 1953 to 232,000 tons in 1957, whereas exports have declined from 21,000 to 17,000 tons.

Although international comparisons of meat consumption statistics are subject to wide margins of error, it can be said that the quantitative levels reached in the four most economically-developed countries compare not unfavourably with those of the Netherlands or Switzerland, and favourably with southern Europe. The range of choice of fresh meat, its quality — especially of beef — and the regularity of supplies are still serious problems but, at least in Hungary and Poland, the quantity of meat consumed appears to be fairly high in relation to general living standards in those countries. It seems that meat consumption in Rumania and the Soviet Union may at present be below that in the other countries (except Albania and Bulgaria) — in the range of 25-30 kilogrammes per head per year — though with consumption now rising fairly fast in the Soviet Union.[21]

The group where the post-war development of food consumption seems to have been least satisfactory is fresh fruit and green vegetables (though the data are particularly poor). Apart from some exports from Bulgaria to eastern Germany and Czechoslovakia, each country relies almost entirely on its own production, which has fluctuated widely from year to year but has shown a significant upward trend only in Bulgaria. Exiguous storage and freezing facilities mean that out-of-season consumption is very small, while during the season part of the crops may rot. Soviet estimates of the distribution of fruit and vegetable supplies show both marked seasonal variations, with only 14 per cent of total sales in 1957 taking place in the first half of the year (the variation in vegetable sales in Leningrad in 1955 being, for example, from 2 per cent of annual sales in May to 20 per cent in September), and a standard deemed to fall far short of the optimum:

Percentages of total vegetable consumption

	Nutritional optimum	*Actual*
Cabbages	24	48
Carrots	15	4½
Artichokes, horse-radish, parsley, turnips, cauliflowers, asparagus, fennel, egg-plant, celery	23	4
Other vegetables	38	43½
Total weight	100	100

Source : Sovetskaya Torgovlya, 28 August 1958.

As a result of the general national self-sufficiency in fruit and vegetables, per capita consumption is naturally much higher in Hungary and Bulgaria than in other countries where the more perishable items tend to be near-luxuries.

However, the impact of restrictive import policies on consumption standards has naturally been greatest for commodities not produced in the region. Consumption of coffee, cocoa and citrus fruits was negligible until recently (see Table 7), even in countries like Czechoslovakia, eastern Germany and Hungary where there had been significant consumption of such goods in the inter-war years. Imports of tea (supplied by China) have, however, permitted consumption levels generally above those of the pre-war years, though still very small in absolute terms. In the Soviet Union a great improvement in yields

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[20] Bulgaria is also a special case, since production of cows' milk in that country is less important than milk of buffaloes, goats and sheep, of which relatively little goes into butter production but quite a lot into yoghourt, cream and cheese.

[21] Per capita meat production in the Soviet Union in 1956 was 33 kg. and in 1957 was 36 kg., including lard. In Rumania, per capita meat consumption in 1957 was stated to be 27 kg. Per capita meat production in Albania (12 kg. in 1957) is the lowest of the region.

TABLE 7

Per capita annual consumption of beverages, citrus fruit and selected manufactured goods in five countries in 1957

	Unit	Czecho-slovakia	Eastern Germany	Hungary	Poland	Soviet Union
Beverages						
Coffee	Kg.	0.31	0.54	0.05 [a]	0.06	0.03
Tea		0.07	0.09	0.02 [a]	0.09	0.10
Cocoa beans		0.6	0.34	0.18 [b]	. .	0.22
Wine	Litre	6.3	1.6	21.1 [a]	3.2	. .
Other alcoholic drinks [c]		1.5	. .	1.5 * [a]	2.9	. .
Beer		92.5	65 [a]	25.1 [a]	18.7	. .
Citrus fruit	Kg.	. .	3.1	3.0 [a]	. .	0.54
Cigarettes	Number	1359	1052	1315 [a]	1509	. .
Clothing						
Fibres: Cotton	Kg.	5.3	7.7	5.0 [b]	4.3 * [d]	. .
Wool		1.4	0.8 *	0.5 [b]	0.8 * [e]	. .
Other		3.3	7.1 *	. .	. .	. .
Leather shoes	Pair	1.48	0.94	1.2	1.1	
Durable goods [g]						
Radio sets	Number	16.2	27.7	26.1	25.3	16.5
Television sets		9.1	5.7	. .	0.7	2.9
Washing machines		19.7	. .	5.6	5.0	1.8
Sewing machines		4.2	5.8	2.2	5.5	11.5
Vacuum cleaners		. .	. .	. .	1.7	1.2
Refrigerators		5.7	1.6	. .	0.4	1.4
Bicycles		21.0	20.4	21.6	15.1	14.8
Motor cycles		5.0	6.3 [h]	3.0	2.6	1.4
Motor-cars		1.5	1.2	. .	. .	0.3 [b]
Watches		36.7 [i]	60.0	. .	. .	39.1 [b]
Cameras		12.8 [a]	23.8	. .	4.7	6.2

Sources : National statistics and Appendix Table III.

[a] 1956.

[b] 1955.

[c] 100 per cent alcohol content.

[d] Imports per head: exports of fabrics could not be deducted.

[e] Imports and home production per head: exports of fabrics could not be deducted.

[g] Per thousand inhabitants.

[h] Excluding " mopeds " (5.3 per 1,000 inhabitants).

[i] Excluding pocket watches.

on domestic plantations has provided for the rise of tea consumption from 27,000 tons in 1938 to 46,000 tons in 1957. In the last few years, more regard for consumers' wishes and the increase of direct trade with primary producers has resulted in a rapid expansion of imports of beverages and fruit into the region which seems likely to continue in the future.

Such an increase, together with better supplies of other goods, might go some way to check the rising trend of consumption of alcoholic drinks [22] — mainly spirits and beer since wine production has generally proved difficult to expand. This is now an object of social policy in most countries of the region, where alcohol prices have been increased in recent years, and other steps have been taken to discourage consumption.[23] These, together with improving supplies of other goods, seem already to be having some effect.

Consumption of tobacco — like alcohol less heavily taxed relatively to other consumers' goods than in some western European countries — has also risen fast everywhere, with the help of imports from Bulgaria and China and growing domestic production in some countries.

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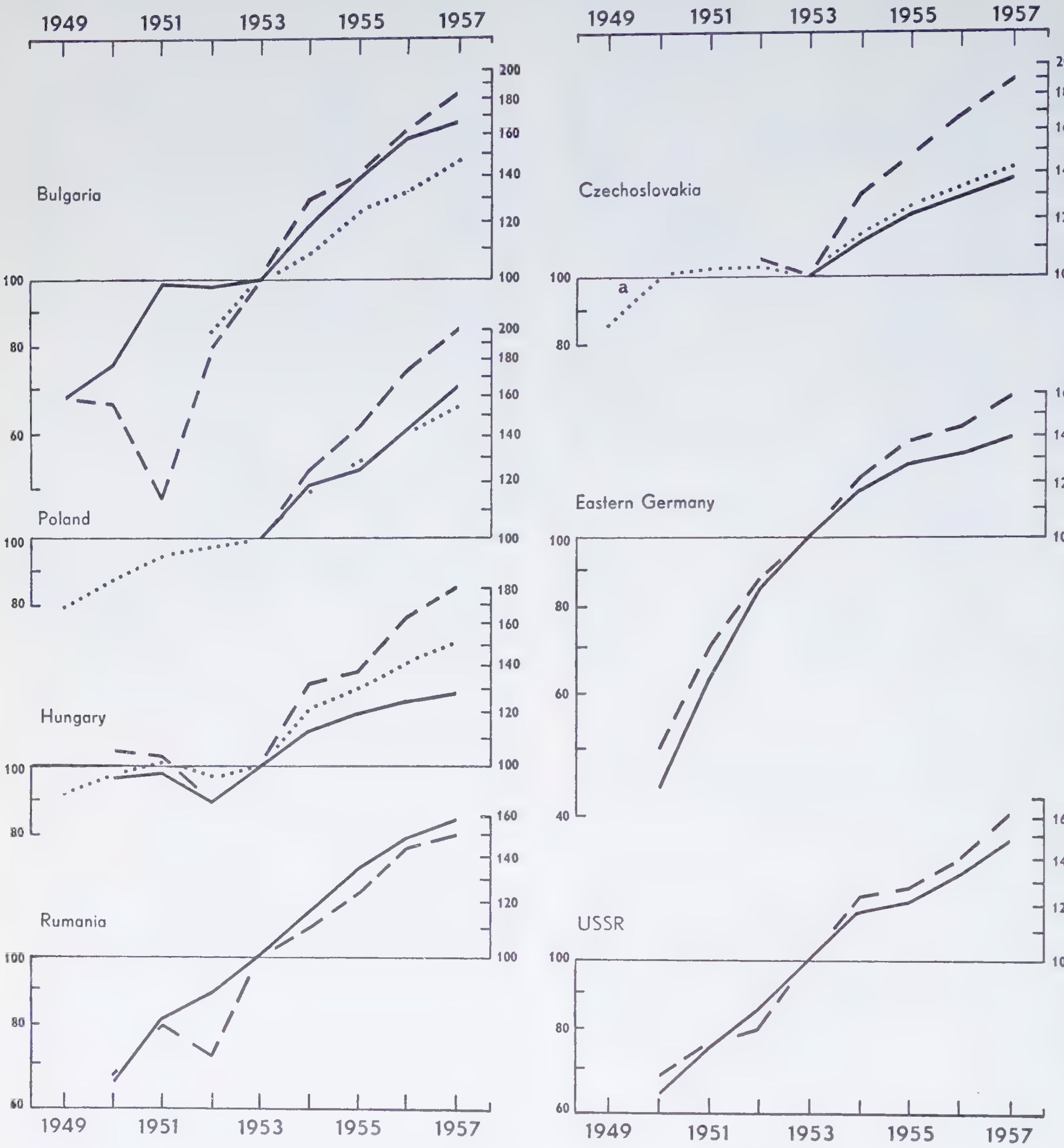
[22] Only scattered data on consumption changes are available; but annual per capita consumption of all alcoholic drinks (in 100 per cent alcohol equivalent) rose in Czechoslovakia from 3 litres in 1936 to 3½ in 1949 and 4½ in 1957, and of spirits alone in Poland from 0.9 litres in 1933-1937 to 2 in 1949 and 2½ in 1956. In Hungary consumption of spirits doubled from 1950 to 1955, while that of beer trebled and of wine fell by about a half.

[23] A tradition of illegal distillation of spirits, already well established in the inter-war years, tends to hamper attempts to check the rate of growth of consumption by means of taxation.

CHART 1

Volumes of retail trade turnover and total personal consumption in eastern Europe and the Soviet Union

1953=100, semi-logarithmic scale



NOTE. — For sources and methods, as well as differences in coverage, see Appendix B.

[a] Non-food in 1949.

Consumption of Manufactures

Variations in supplies of manufactured goods to consumers during the post-war years seem to have been more violent than those of food consumption, though the fact that often only annual data are available tends to conceal some of the latter fluctuations. Metal consumers' goods, electrical equipment and — to a lesser extent — furniture and other consumers' durable goods directly compete for resources with defence demands and investment; and in eastern Europe, though to a smaller extent in the Soviet Union, light industries have been heavily dependent on imported raw materials and have been expected to export a large share of their output. In the early 1950s, therefore, the low priority given to consumption meant that changes in availabilities of raw materials or fuels or in balance-of-payments pressures had immediate repercussions on the quantity and quality of consumers' goods on domestic markets. Moreover, although lack of capacity in light industries has never, as yet, been widespread, bottlenecks created by under-maintenance and low investment priorities have affected both the quality and quantity of output.

The trends of the volume of retail sales of goods other than food shown in Chart 1 probably indicate fairly well the development of supplies of manufactured consumers' goods in the countries concerned. However, some goods are sold through the retail network to others than final consumers (materials for further processing, office equipment, etc.) and a growing share of retail trade in recent years has represented producers' goods, supplied mainly to peasants.[24]

It appears from the chart that in the years immediately preceding 1953 in Czechoslovakia, Hungary and Rumania, and 1952 in Bulgaria, the stagnation or decline of the over-all consumption level was accompanied by a decrease in sales of manufactured goods. The situation was probably similar in Poland, where the levelling off of total retail sales almost certainly reflected falling sales of manufactures; but in the Soviet Union the expansion of sales of manufactured goods has been fairly steady. In many countries the development was even less favourable than indicated by the trends shown in the chart, since the quality of many goods deteriorated.[25]

The adjustments in the structure of output and foreign trade, and releases of stocks, around 1953 were soon reflected in a rapid increase in retail sales of manufactures (by as much as 30 per cent in three countries in 1954). This rate of increase exceeds that of food sales, and certainly exceeded even more the short-term growth of total consumption of food; and from this time onwards increasing supplies of industrial goods everywhere played an important part in the expansion of over-all consumption.[26]

The contribution of particular groups of manufactured consumers' goods to the general expansion is difficult to determine. However, the rise between 1952 and 1954 seems to have been mainly attributable to better supplies of clothing and footwear, for which the value of sales rose while prices generally fell.[27] In most countries this seems to have been the initial phase of a " clothing cycle ", with a later stagnation or even decline [28] of sales in 1955 and early 1956, followed by a revival at the end of that year. " Unplanned " additions to stocks of clothing and footwear in these years showed that, the most urgent needs having been covered, consumers were becoming more discriminating in their demands. In the Soviet Union, the " clothing cycle " appears very clearly from family budget data.[29] In both workers' and peasants'

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[24] Some details of the composition of retail sales at current prices are given in Appendix Tables IV to VI. The data on food sales in the tables, and the trends shown in the chart, cannot be taken as indicators of the long-term development of food consumption, since the proportion of such consumption passing through the retail network has greatly increased during the period. Most manufactured goods reaching consumers—apart from some handicraft products—have, however, passed through the retail network throughout these years; though the data for Bulgaria undoubtedly give an inflated impression of the growth of consumption even of manufactured goods since a greatly increased proportion of the, very important, handicrafts production now passes through trade channels. Otherwise, and apart from the qualifications already mentioned in the text, the main weakness of the index numbers of the volume of such trade stems from the inadequacy of the existing price index numbers as a means of deflating data in current values. This, however, is practically inevitable in any period when both relative prices and the structure and quality of supplies fluctuate widely.

[25] The Hungarian Statistical Office has calculated an " index of quality changes " designed to allow for factors not normally reflected in a price index (e.g., a reduction in the number of matches in a standard matchbox). For the years 1949 to 1955 (1938 = 100) the index is as follows (a fall in the index indicating a fall in quality): 95.0; 94.2; 93.2; 90.4; 87.0; 86.0; 85.0.

[26] A very rough indication of relative levels of consumption of manufactured goods can be derived from a comparison of values of retail sales of such goods (including, of course, some producers' goods) converted to roubles at the exchange rates applied to non-commercial transactions. These were fixed so as more or less to equate the real living costs of tourists, diplomats, etc., in each country. The comparison for 1956 is as follows:

Annual per capita retail sales of manufactures in roubles

Bulgaria	1168	Poland	1699
Czechoslovakia	2326	Rumania	932
Eastern Germany	2369	Soviet Union	1224
Hungary	1844		

[27] See Appendix Tables V and VI. In Rumania, not included in those tables, the volume of sales of textiles and footwear is stated to have risen by 50 per cent in 1953 (after a fall in 1952) but by only 27 per cent over the following four years.

[28] The over-all value figures conceal the decline in quantity of sales because of the growing importance of ready-made clothing in relation to fabrics. In Rumania, sales of cotton cloth decreased by 16 per cent in 1955, those of woollens by 14 per cent. In Czechoslovakia, the decrease between 1954 and 1956 was 8 per cent for cotton cloth, 20 per cent for silk, 12 per cent for woollens.

[29] See Appendix Table II.

families, the 1955-1956 level of purchases of tissues is well below that of 1954, and in workers' families the same applies also to footwear and ready-made clothing.

The figures in Table 7 suggest that, in the four countries for which data exist, consumption of cotton fibre is not noticeably different from pre-war levels [30] and of about the same order of magnitude as in western European countries. Wool consumption is, however, well below north-western European levels. Eastern Germany has the highest staple-fibre consumption (per capita) in the world, and use of man-made fibres — though not of the latest synthetics — is significant in several other countries.

In all countries except Bulgaria the share in retail sales of " other manufactures " than clothing and footwear has increased considerably during the years 1953 to 1957, but producers' goods of various kinds have certainly contributed significantly to the rapid growth of total sales in this category. Thus in Hungary the value of retail sales of building materials, agricultural tools and implements, artificial fertilizers and insecticides passed from 261 million forints in 1952 to 2,423 millions in 1957 (in current prices). But even if all identifiable producers' goods are excluded, there is still a 100 per cent increase in the turnover of "other manufactures" as against a 68 per cent rise for clothing and footwear. In the Soviet Union, where the retail network even distributes such supplies as lorries for collective farms and prefabricated houses, the miscellaneous group — composed mainly of producers' goods — accounted for some 13 per cent of non-food turnover in 1950 and almost 16 per cent in 1955, with an even faster subsequent rise in its share.

As in western Europe, consumers' durable goods have been the most dynamic element in private consumption in recent years; [31] but everywhere in eastern Europe supplies of such goods — with the exception of a few items such as bicycles and radios — are still very small. Prices are extremely high in relation to average wages, and minor changes in the incomes or preferences of the relatively few who can afford consumer-durables may cause considerable upheavals in this small market. In the Soviet Union the situation is rather different, with some durable goods — such as television sets, radios and sewing machines — sold at prices which in relation to those of other high quality consumers' goods (e.g., a good suit) are lower than in eastern or western Europe.

It is plain from the level of annual sales during the post-war period that consumers' stocks of durable goods must generally be small, and more precise indications exist for two countries (per 1,000 inhabitants):

	Poland			*Czechoslovakia* [a]	
	End-1957 stock	*1960 planned*	*1965 planned*	*End-1957 stock*	*1965 planned*
Radios [b]	85	166	250	236	250
Television sets	0.8	16	72	13	125
Washing machines	8.3	34	87	120 [c]	..
Refrigerators	0.8	5	31	12	..
Sewing machines	29	33	62	..	..
Bicycles	55	100	188	..	..
Motor cycles, scooters, etc.	12	29	60	36	63
Passenger cars	2.1	3	6	9.6	23

Sources : *Rudé Právo*, 26 October 1958 and 28 January 1959; and *Trybuna Ludu*, 24 October 1958.

[a] Estimates assuming four persons per household.

[b] Only sets with valves.

[c] Including wash-boilers, but not collectively used washing machines.

In Czechoslovakia the stock of radios and television receivers seems to approach western European levels (see Table 12 of Chapter V), but the differences for some other items are very great, and are naturally even greater in the poorer countries of the region. A comparison with the figures in Table 7 strikingly demonstrates the high ratio of current annual sales to total consumers' stocks of such goods as television sets, washing machines and refrigerators. Indeed, production or imports of such goods have been practically non-existent in most countries of the region until very recently, while supplies of motor-cars for the ordinary consumer have been rigidly restricted.[32]

A considerable pent-up demand, based largely on accumulated savings, has supported the recent boom in sales of consumer-durables. It is uncertain how long the current rate of sales could be maintained out of current incomes if prices remained unchanged; but the introduction or extension of hire-purchase facilities everywhere during 1958 will now tend to reinforce demand.[33] There is, in fact, no sign as yet of even temporary saturation of demand at current prices for any of the newer consumers' durable goods — with the possible exception of the Polish motor-car market — though in some branches (e.g., radios) consumers have become more discriminating. For furniture, accumulated needs swelled current demand up to about 1955, and the possibility of a later slackening now seems to be postponed for some time by the rising rate of dwelling construction in most countries.[34]

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[30] See the SURVEY for 1953, Table 32.

[31] See Appendix Table III.

[32] Per capita sales of durables in the Soviet Union and information on their prices (see section 2) tend to indicate, however, that the lag of standards behind those of the most developed countries of eastern Europe is much smaller in this sector than that for high quality food and clothing.

[33] See the *Economic Bulletin for Europe*, Vol. 10, No. 3, p. 28.

[34] The introduction of hire-purchase facilities in eastern Germany in October 1956 was motivated to a large extent by the weakness of the furniture market, despite continuing shortages of particular types of furniture. (*Der Handel*, Nos. 11 and 12, 1958.)

TABLE 8

Indicators of changes in housing stocks in eastern Europe and the Soviet Union

Country	Thousands of dwellings	Floor space in thousands of square metres		Dwellings per thousand inhabitants	Floor space per inhabitant in square metres	
		Useful	Net		Useful	Net
Soviet Union						
Towns only						
1913	..	180 000	..	..	7.3	..
1940	11 400	421 000	..	188	6.9	..
1950	13 900	513 000	..	199	7.3	..
1956	17 300	673 000	..	199	7.7	..
1957	..	721 000	..	..	..	..
Bulgaria						
Stock at end-1948	1 630	..	43 300	227	..	6.0
Stock at end-1954	1 719	87 657	48 457	229	11.7	6.5
of which : in towns	478	24 375	10 373	211	10.8	4.6
in countryside	1 241	63 282	38 084	237	12.1	7.3
Construction 1955 to 1956	..	..	3 455	..	..	..
Estimated replacements 1955 to 1956	..	..	320	..	..	..
Estimated stock at end-1956	..	..	51 592	..	..	..
Czechoslovakia						
Stock at 1 March 1950	3 613	139 700 [a]	98 000 *	292	11.3 [a]	7.9
Construction 1950 to 1957	364	15 300	..	..	..	..
Estimated replacements 1950 to 1957	57	2 000	..	..	..	..
Estimated stock at end-1957	3 920	153 000 [a]	106 800	294	11.4 [a]	8.0
Eastern Germany						
Estimated stock at end-1950	4 300	193 000	135 000	234	10.4	7.3
Construction 1951 to 1957	302	18 655	13 000	..	..	..
Estimated replacements 1951 to 1957	100	4 000	2 800	..	..	..
Estimated stock at end-1957	4 512	207 655	145 200	259	11.9	8.3
					Rooms per thousand inhabitants	
Hungary						
Average of the 1930 and 1941 censuses	..	..	..	258	388 [b]	
Stock at end-1949	2 492	..	..	274	389 [b]	
Construction 1950 to 1955	135	..	5 000 *	..	..	
Stock at end-1955	2 577	..	..	268	379 [b]	
Construction 1956 to 1957	77	..	..	..	..	
Stock at end-1957	2 629	..	..	274	389 [b]	
				Rooms (thousands)	..	
Poland					..	
Stock at 1 February 1946—towns only	..	..	..	4 410	588	
Stock at end-1950	5 850	..	..	13 390	535	
of which : in towns	..	..	..	6 140	667	
in countryside	..	..	..	7 250	459	
Construction 1951 to 1955	383	..	..	996	..	
Stock at end-1955	..	..	..	14 070	513	
of which : in towns	..	..	..	6 900	571	
in countryside	..	..	..	7 170	467	
Construction 1956 to 1958	357 *	..	..	624	..	
Stock at end-1958	..	..	..	..	..	

Sources : The European Housing Situation, Geneva, 1956; national statistics; SURVEY for 1955, p. 226, and material supplied by governments to the Housing Committee of ECE.

NOTE. — " Useful " area includes all floor space : " net " area includes only living-rooms and kitchens.

[a] Excluding kitchens with less than 12 sq. metres.

[b] Only population actually occupying dwellings.

In the Soviet Union, for example, furniture output in 1960 is planned to be 65 per cent greater than in 1957.[35]

A continuation of the recent rates of growth of supplies of some durable goods may produce new problems of satisfying ancillary demand — some of which have already appeared. Thus, in Hungary out of about 210 MW of household electrical equipment sold in 1957, some 40 MW could not be installed for lack either of adequate electric power or of meters, and the disproportion became worse in 1958.[36] Similarly, repair facilities and filling stations might become a bottleneck limiting the rate of expansion of the motor-car park.

Housing

Together with consumers' durable goods, housing has been the sector where the competition of investment for resources has been most acutely felt in all countries of the region. In general, the early post-war long-term plans theoretically provided for stabilization or even slight improvement of the over-all housing situation, though they certainly implied a deterioration in the more rapidly growing towns and made little allowance for replacement needs. In fact, these plans were realized only in Bulgaria and the Soviet Union.[37] Urban housing standards therefore everywhere deteriorated markedly until about the mid-'fifties, with lack of maintenance — especially up to about 1953 — intensifying the effects of low rates of new building.

From 1954 onwards higher priorities for housing have raised rates of construction everywhere (see Table 8), and facilities for private and co-operative building have increasingly supplemented state activities. By now, the rate of construction in practically every country surpasses the minimum requirements determined by replacement needs and population growth, but only in Bulgaria and eastern Germany has it yet sufficed to bring about any noticeable improvement over the national average standards (in terms of per capita living-space) of the late 'forties or early 'fifties. In eastern Germany, however, the improvement is due as much to emigration as to increases in the total housing stock. The post-war housing is generally better equipped (with water and electricity supply, bathrooms, etc.) than most of the older dwellings; but it is still too small a proportion of the total, except in the Soviet Union, to have significantly improved the average quality of the housing stock. Only statistics of urban housing are available for the Soviet Union, from which it is clear that the density of housing occupation in towns has declined significantly since 1954.

As the figures in Table 8 illustrate for other countries, such improvement as there has recently been in country-wide average housing stocks generally conceals a continuing deterioration — or at best a stabilization — in the towns. Despite the concentration of state housebuilding in urban areas, the rapid movement of population from the countryside to the towns in

TABLE 9

Indicators of the growth of health and education services in eastern Europe and the Soviet Union

Country and year	Doctors per 10,000 inhabitants	Hospital beds[a] per 10,000 inhabitants	Pupils per teacher in general schools[b]
Bulgaria			
1939	5.0	20	36
1950	7.1	57[c]	26
1956	12.2	71	25
Czechoslovakia			
1937	8.1	33	37
1950	10.2	62	29
1957	15.4	72	26
Hungary			
1938	11.6	51	42
1950	11.0	56	34
1957	14.4	70	24
Eastern Germany			
1950	..	102	32[d]
1957	..	117	25[e]
Poland			
1938	3.7	20	61
1953	5.4	39	32
1957	7.9	43	32
Rumania			
1938	5.3	20	35
1948	7.4[f]	25	28
1956	12.5[f]	48	22
Soviet Union			
1940	7	41	29[g]
1950	14	55	23[h]
1957	17	70	16[g]

Sources : National statistics.

[a] All beds in medical establishments, but definitions are not quite comparable in all countries.

[b] In principle compulsory schooling, but pre- and post-war definitions are not quite comparable and demographic changes affect the figures considerably.

[c] 1952.

[d] 1951.

[e] 1956.

[f] Including dentists.

[g] All general schools (classes I-X), including those for adults.

[h] Excluding general schools for adults.

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[35] See the *Economic Bulletin for Europe*, Vol. 10, No. 1, p. 29.

[36] *Statisztikai Szemle*, No. 10, 1958.

[37] See the SURVEY for 1955, pp. 223-226. In the Soviet Union the state housing targets of the 1946-1950 Plan were not attained and those of the subsequent Five-year Plan were reached exactly.

the post-war years has produced progressively greater urban overcrowding during most of the period; and current building programmes hold out little hope of more than a relatively slow improvement in this situation, except probably in the Soviet Union. There an immense urban building programme, superimposed on an existing very small per capita housing stock, should soon have a fairly marked impact on average standards, even though the Seven-year Plan (1959-1965) seems to imply that nearly one-third of new construction will be for replacement of existing housing space, as compared with about one-tenth during 1951-1957.

Only Czechoslovakia and eastern Germany, of all the countries of the region, as yet approach the housing standards (in terms of per capita living space) reached in north-western Europe (see Tables 8 and 9 of Chapter V), and even then the gap is still large. Thus, better housing can be expected to hold a high place on the scale of consumers' preferences in eastern Europe and the Soviet Union for some years to come; and current plans suggest that it will in fact be an important element in the future improvement of general consumption standards in most of these countries.

Health and Education

In contrast with developments in the housing field, there was an immense extension of the coverage of health, education and other cultural services in the early reconstruction and post-reconstruction years. Comprehensive health insurance schemes were everywhere introduced for wage and salary earners, and later extended in varying degrees to the farm populations; and a cultural revolution found part of its expression in a rapid expansion of secondary and university education. Investment in the necessary material facilities and, even more, in the training of doctors, teachers, etc. was rapidly expanded and professional employment in social and cultural services greatly increased, not only absolutely but also in relation to the total active population.[38]

If " consumption " of social and cultural services is measured by employment in these services, or by the share of their wage-bills in the total, it certainly increased faster in the early years than in the later 'fifties.[39] The number of school places and of hospital beds also increased very rapidly (see Table 9) but, nevertheless, the provision of physical capital has very seriously lagged behind the growth of the services it supports. For example, the rise in the number of schoolrooms has not nearly kept pace with the increases in numbers of both teachers and pupils, and hospital space available per hospital bed has tended to decrease in some countries so that overcrowding is a pressing problem.

This " overcrowding " of social facilities, unlike similar phenomena in some other service sectors (e.g., passenger transport), can hardly be attributed to failure to provide them with a generous share of investment resources in relation to other claimants, though the original extremely large investment plans for this sector were not generally fulfilled. It is rather to be attributed to the boldness of the health and education plans. However, the consequence of the present situation must be that these sectors will remain heavy claimants on investment resources for some time to come even without any quantitative expansion of the services provided. The same applies to all services linked with urbanization—drainage, local transport, power supply, etc.

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[38] See the SURVEY for 1957, Chapter VII, pp. 61-62.

[39] Rumania, with practically unchanged employment in this sector from 1950 to 1953, and eastern Germany may be exceptions. In the latter country emigration has limited the rise in the numbers in professional employment over the whole period.

2. THE COMPOSITION OF PERSONAL EXPENDITURE

The broad outlines of the picture of consumption in eastern Europe and the Soviet Union today show adequate provision for basic needs of food and clothing, though range of choice, regularity of supplies and quality, while improving, still leave much to be desired and the special difficulties of large families with few wage-earners still persist. Supplies of consumers' durable goods are generally rising fast, but are still small except for a few items. Standards of urban housing are everywhere low — sometimes extremely low — and ancillary services overstrained, as is the physical equipment of the — usually very comprehensive — social services. Standards vary from country to country, with Czechoslovakia and eastern Germany generally at the top of the range and Bulgaria and Rumania (and, undoubtedly, also Albania) at the lower end. Within each country there are fairly wide variations from one social or income group to another, both in the trend of consumption standards over the post-war period and in the levels currently achieved. Not only have some groups suffered absolute as well as relative losses since before the war (as has happened in western Europe also), but the fluctuations in average per capita consumption levels in most countries — the fall in the early 'fifties, the recovery about 1954 and the further rise in 1956-1957 — have impinged more sharply on some groups than on others.

TABLE 10

Composition of personal expenditure in six countries

Percentages

Expenditure group	Bulgaria				Czechoslovakia				Eastern Germany	Hungary	Poland			Rumania	
	1955		1957		1953		1957 [a]		1955	1957	1957			1952	1956
	Workers	Employees	Workers	Employees	Workers	Employees	Workers	Employees	Workers [b]	Workers and employees	Workers [c]	Technical personnel [c]	Administrative personnel [c]	Workers	
Total expenditure	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0* [d]	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Food	39.4	36.5	35.4	32.8	46.7	44.9	44.1	41.2	42.0	48.5	49.2	41.4	44.9	49.7	42.2
Public catering	4.3	5.4	5.0	6.5											
Beverages and tobacco	4.0	3.3	3.8	3.0	4.6	3.7	4.4	4.2	7.8		4.9	4.7	3.8	5.5	4.7
Rent	1.3	1.5	1.2	1.3	1.9	3.0	2.1	2.4	5.8	2.3	4.8 [e]	5.0 [e]	5.7 [e]	8.3	12.6
Heat and light	3.1	3.6	3.0	3.3	1.7	1.7	2.2	2.3	3.1	5.0	3.0	3.5	3.1		
Household equipment and consumers' durable goods	3.7	3.2	4.3	3.4	3.1	3.3	5.7	6.2	3.4	7.7	. .	. .	. .		
Clothing and footwear	15.4	15.6	15.6	15.9	12.0	11.2	10.6	10.5	16.7	17.9	19.5	17.9	20.7	15.5	17.1
Health	1.2	1.3	1.3	1.3	. . [f]	. . [f]	. . [f]	. . [f]	3.3	19.2	2.7	3.1	3.4	3.5	2.4
Culture and entertainment	4.5	5.5	5.8	6.3	0.4 [g]	0.5 [g]	0.6 [g]	0.8 [g]	3.4		3.4	4.9	4.7	2.1	2.8
Transport	2.2	2.8	2.6	3.1	1.9	2.5	1.9	2.3	2.3		1.1	1.5	1.6	1.9	2.1
Miscellaneous	20.9	21.2	21.9	23.0	28.2	29.8	27.8	30.0	12.3		11.4	18.0	12.1	13.5	16.1
of which :															
Taxes, etc.	8.8	9.7	5.9	6.5	8.0	7.4	8.5	8.0	. .	. .	. .	. .	. .	. .	. .
Savings	0.9	1.5	3.8	4.9	0.9	1.2	4.3	4.0	. .	. .	. .	. .	. .	. .	. .
Total net expenditure [h]	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	. .	. .	*100.0* [i]	*100.0* [i]	*100.0* [i]	. .	. .
of which :															
Food, beverages and tobacco	52.3	50.1	47.0	45.2	55.2	52.5	53.0	49.3	. .	. .	61.0	56.3	55.4	. .	. .
Rent, heat and light	4.8	5.6	4.5	4.9	3.9	5.1	4.7	5.1	. .	. .	. .	. .	. .	. .	. .
Clothing and footwear	16.9	17.3	16.6	17.0	13.0	12.1	11.6	11.4	. .	. .	21.9	21.9	23.5	. .	. .

Sources: Bulgaria: *Statisticheski Izvestia*, No. 2, 1958; Czechoslovakia and Hungary: direct communications from governments; Eastern Germany: *Statistische Praxis*, Nos. 11-12, 1957; Poland: *Rocznik Statystyczny, 1958*; Rumania: *Probleme Economice*, No. 5, 1957.

[a] Preliminary results.

[b] Only industrial workers' families of four persons in the medium-income group (average monthly income of around DM 450).

[c] In four branches of industry: coal-mining, metallurgy, engineering and textiles.

[d] Excluding the wage tax which in eastern Germany is deducted at the source.

[e] Including furniture and household equipment. According to the more detailed data covering the first half of 1957, the proportion of expenditure on rent alone was 0.9 per cent among workers and 1.2 per cent among employees.

[f] Presumably included under " Miscellaneous ".

[g] Only expenditure on books.

[h] Excluding taxes, social contributions and state loans where applicable.

Excluding also savings.

The Structure of Consumers' Expenditure

Outside Hungary and Poland no estimates of the detailed composition of aggregate consumption have been published, and such computations would not, in any case, cover the full range of consumers' expenditure including services or be comparable with the national accounts data for western European countries discussed in Chapter V. The analysis of structures of consumption expenditure in the remainder of this section therefore had to be based on data derived from family budget inquiries. Though these data are not entirely satisfactory for this purpose they are the only source from which indications of the composition of personal consumption (including services) can be obtained.[40]

Despite differences in real consumption standards, the pattern of expenditure by wage-earners' families, as revealed by family budget inquiries, shows considerable similarities from one country to another. A typical feature is the high proportion of income spent on food, which clearly absorbs 40 to 50 per cent, or even more, of net family expenditure (excluding taxes, social security payments, etc.) everywhere in eastern Europe, and with drink and tobacco added the share rises to some 50 to 60 per cent (see Table 10). No comprehensive data on household expenditure in the Soviet Union have as yet been published. However, a description of the household expenses of a " typical working-class " Russian family (seven members with four wage-earners) shows 67 per cent of net income spent on food and drink in 1955 and 52 per cent in 1956. The decline is explained by improved supplies of foodstuffs in state shops in 1956, where prices are considerably lower than in the collective farm markets.[41]

These proportions are roughly comparable with the national averages in southern European countries (see Chapter V, Table 3) and well above those registered in the rest of western Europe. Moreover, the more valid comparison with expenditure by workers' families only in western Europe (of which one example is given in the third and fifth columns of Table 11) generally shows a similar, though less acute, contrast. These differences are partly explained by the relative cheapness in eastern Europe of rent, heat and lighting, and of some other services such as transport and entertainment, and by low expenditure on health and education services provided at nominal, or no, direct charge to the consumer.[42] But the rela-

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[40] The main weakness of the more recent family expenditure inquiries lies in their restricted coverage—usually concentrated on industrial workers—and in the methods of selecting the sample. Moreover, the inquiries undertaken before about 1953 were so much less satisfactory that their results cannot safely be used to provide an indication of changes in expenditure structures over time. The limitations on the value of the inquiries already undertaken, and their potential usefulness, are discussed in more detail below.

[41] See *Moscow News*, 30 March 1957; the similarity of the distribution of this family's expenditure with ECE secretariat estimates of the aggregate expenditure of non-farm households in 1955 was shown in the *Economic Bulletin for Europe*, Vol. 9, No. 1, p. 107.

[42] In some countries (e.g., Hungary) there has, however, been an increase recently in charges for higher education.

TABLE 11

Comparison of prices of main expenditure categories in western Germany and in Poland and the effect of price differences on the structure of expenditure [a]

	Polish prices as multiples of west German prices	Percentage deviation from total expenditure ratio	Structure of west German basket expressed in: west German 1953 prices	Structure of west German basket expressed in: Polish 1956 prices	Actual structure of expenditure of Polish wage-earners' families in 1957 [b]
			Percentages	Percentages	Percentages
Food	8.8	+17	43.2	50.5	57.9
Drinks and tobacco (excluding coffee and tea)	5.8	−23	4.8	3.7	4.9
Clothing and footwear	13.3	+77	14.4	25.5	21.0
Rent (including house repairs)	1.3	−83	9.2	1.6	4.9 [c]
Furniture and household equipment	6.8	−10	6.8	6.2	
Light and fuel	3.1	−59	4.9	2.0	3.3
Health and hygiene	6.4	−14	4.3	3.7	3.1
Transport and communications	4.5	−40	3.5	2.1	1.3
Culture and entertainment	3.8	—50	7.0	3.5	3.6
Other (including domestic service)	4.7	−37	1.9	1.2	—
Total expenditure	7.5	—	100.0	100.0	100.0

Source : See Appendix B.

[a] In this table the annual consumption expenditure of a wage-earner's family of four persons, with about average family income in western Germany in 1953 at current prices in DM, is compared with its hypothetical cost expressed in Polish 1956 prices in zlotys (total annual per capita expenditure amounted to 1,219 DM or 9,136 zlotys).

[b] Households with per capita net incomes between 7,200 and 9,600 zlotys per year—i.e., households within an income range corresponding roughly to the total expenditures (at Polish prices) of the western German families which are the basis for the comparisons in other columns of this table.

[c] Of which rent could not be more than 1 per cent (see footnote *e* to Table 10)

TABLE 12

Price-relatives: post-war prices in Poland and western Germany, pre-war and post-war prices in Hungary

Item	Polish (1956) prices as multiples of west German (1953) prices	1955 prices as multiples of 1938 prices in Hungary
Food	*8.8*	*12.5*
Rye and mixed bread	4.8	7.9
Wheat	8.2	
Potatoes	5.0	19.3
Vegetables	10.9 [a]	13.5
Beetroot and carrot	3.1	13.2 [b]
Cucumbers and lettuce	14.1	8.6 [c]
Tomatoes	18.8	9.8
Fruit	18.5 [a]	9.4
Apples and pears	9.8	6.0
Plums and cherries	14.5	6.3
Dried fruit	16.0	..
Imported fruit	34.4	..
Sugar	8.8	10.0
Chocolate	14.7	..
Milk	6.1	10.9
Cheese	11.7	20.3
Eggs	6.2	17.2
Margarine	24.2	..
Butter	8.5	18.7
Meat and sausages	5.5	..
Beef	5.0	9.0
Pork	6.2	15.3
Veal	5.1	10.4
Fish	15.0	..
Fresh	4.8	..
Tinned	21.6	..
Coffee	12.2	..
Tea	6.8	12.7
Soft drinks	3.2	..
Drink and tobacco	*5.8*	..
Wine	22.7	21.3
Beer	2.9	6.3
Brandy	6.3	18.0
Cigarettes	1.8	6.0
Clothing and footwear	*13.3*	*14.4*
Men's clothes	12.9	14.0 *
Material	15.9	..
Sewing	5.4	12.4
Footwear	13.7	12.1
Men's leather shoes	17.1	15.7
Men's other shoes	7.5	..
Underwear	16.5	20.0 *
Jewellery, including watches	24.5	..
Furniture and household equipment	*6.8*	*13.0*
Furniture	5.0	14.3
China and faience	3.1	..
Electrical equipment	10.0	5.3 [d]
Metal pots and pans	7.8	15.5
Heat and light	*3.1*	*6.4*
Wood	1.7	12.6
Hard coal	2.5	9.6 [e]
Gas	2.4	2.2
Electricity	3.6	1.7
Hygiene and health	*6.4*	..
Personal hygiene	7.5	..
Services (hairdresser, etc.)	5.4	5.0 [f]
Soap, cosmetics, etc.	9.3	15.3 [g]
Health	4.3	..
Medical services	6.0	..
Medicaments	3.4	4.6 *
Rent (excluding repairs)	*1.0*	*2.4* [h]
Transport and communications	*4.5*	*2.3*
Public transport	2.2	2.3 [i]
Personal transport	8.3 [j]	10.0 [k]
Postal expenses	2.9	..
Culture and entertainment	*3.8*	*5.5*
School fees	0	
Papers and books	1.6	6.0
Vacation and recreation	6.0	..
Sport equipment	9.3	..
Theatres and concerts	2.8	4.8
Cinema	2.8	6.3

Notes to Table 12

Sources : See Appendix B.

NOTE. — The Hungarian price-relatives referring to groups of commodities or services are based on post-war weights. This means that a whole range of luxury goods is excluded from the comparison, leading to a narrowing of the " spread " since such items increased in price relatively more than the necessities.

[a] Price relatives for vegetables and fruit are certainly understated in the Polish–west German comparison since the retail price estimates for Poland exclude out-of-season fluctuations.

[b] Carrots only.

[c] Cucumbers only.

[d] Radios.

[e] Brown coal.

[f] Hairdresser only.

[g] Soap only.

[h] *Of which :* subletting — 10.0.

[i] Local transport only.

[j] Bicycles, motor cycles, cars and their upkeep.

[k] *Of which :* bicycles — 8.6, motor cycles — 11.7.

tively lower real consumption of industrial goods — not fully offset by their higher relative prices — and low rates of saving are also important contributory factors.

Nevertheless the differences in price structures are great enough to make a comparison of expenditure patterns a poor guide to the assessment of differences in living standards between eastern and western European countries. Similar patterns of family expenditure would, for example, imply probably a greater quantity of food consumed and better educational, cultural and health services, in the eastern than in most western European countries. The very wide differences in relative prices between Poland and western Germany are illustrated in Tables 11 and 12.[43] The most highly priced goods in Poland, by comparison with the west German price structure, seem to be " luxuries ", such as jewellery and watches, and goods with a particularly high import content — imported fruit, canned fish, margarine, wine, clothing materials and leather footwear. Within the food group, there is a wide gap between the relatively cheap staple foodstuffs and the rest. Services of all kinds, including tailoring and dressmaking, are relatively cheap in Poland and so are fuel and light.[44]

If the west German family which is the subject of the comparisons in Table 11 were to maintain its 1953 consumption pattern but to pay for it at Polish prices, the structure of its expenditure would naturally be radically altered, but still very different from that of a Polish family with a roughly similar per capita income. However, the combination of varying price elasticities of demand with the strikingly divergent price structures, and traditional differences in consumption habits, can hardly account completely for the contrasts illustrated in the last two columns of the table. Even though the high prices, in relation to incomes, of many durable goods and of good-quality clothing must lead many wage-earners to regard the task of saving enough to buy them as completely beyond their possibilities,[45] shortages or irregularity of supplies have also contributed to the relatively low expenditure on such goods in the typical Polish family. Similarly housing expenditure is kept low partly by insufficiency of supply, in the sense that people would be prepared to pay more for better accommodation and to sacrifice some other items of actual consumption.

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[43] The price structures of the two countries have not greatly changed since the dates shown in the tables.

[44] Some prices which appear ridiculously low—wood, paper, public transport—were raised in 1957, as were prices of alcoholic drinks.

By and large, the example of Poland may be taken as typical of price relations between goods and services in other countries of the area. Calculations of price and expenditure relatives for these countries would, however, show wide variations in relative commodity prices, with a considerable narrowing of the gap between prices of agricultural and of the more highly manufactured industrial products, and higher relative consumption of these products in real terms, in the more industrialized countries such as Czechoslovakia, eastern Germany, and (except for clothing) the Soviet Union. The lower shares of expenditure absorbed by clothing and footwear in Czechoslovakia and eastern Germany than in the other countries covered by the data in Table 10 reflect the lower relative prices in the former countries, where physical indicators show higher levels of real consumption. A recent study indicates even that some manufactured goods — such as radios and television sets, sports goods and electrical equipment — are cheaper, relatively to other goods, in the Soviet Union than in the United Kingdom.[46]

That the contrasts between eastern and western European price structures in recent years represent more than a perpetuation of traditional differences is illustrated by the changes in Hungarian prices from 1938 to 1955, shown in Table 12. Despite the fact that post-war weights were used for the computation of group averages, thus reducing the influence of some luxury goods for which prices rose particularly steeply, the ratios again cover a fairly wide range. Prices of services show markedly smaller than average increases: at the other extreme, clothing and non-staple foodstuffs have become relatively dearer.

The Influence of Income on the Composition of Expenditure

In the countries for which separate data have been published for manual and non-manual workers — Bulgaria, Czechoslovakia and Poland — the differences in their average patterns of expenditure appear to be very small, manual workers spending a somewhat higher proportion of their incomes on food, drink and tobacco and less on services. The virtual disappearance of such class differentials in expenditure, which were significant before the war, can be ascribed to a variety of factors, including the equalization of incomes between social classes, the educational and cultural revolution and, not least, the supply limitations already mentioned. There are also signs that the gap between the countryside and the town is slowly closing. In the Soviet Union, for instance, expenditure on so-called "cultural and educational" goods and services (which include such goods as radios, watches, bicycles and toys, as well as books, music, etc.) increased from 1953 to 1956 by about 50 per cent among industrial workers and by about 200 per cent among collective farmers. In Hungary expenditure per family on clothing in 1956 was only 18 per cent lower, and that on household durable goods only 15 per cent lower, among individual peasants than among wage-earners; and peasants spent 35 per cent more than wage-earners on miscellaneous manufactures such as radios, bicycles and motor cycles, sewing machines and musical instruments.

However, the size of per capita family income has a considerable influence on the pattern of expenditure (see Tables 13 and 14) despite the restrictions on the free expression of consumers' preferences imposed by supply limitations. Dual pricing of many agricultural products (state and free-market prices) together with secondary, and higher-priced, sources of supply of manufactured goods (such as private shops or the resale of privately imported goods) and sales at illegally high prices, mean that "rationing by the purse" of scarce goods is more effective than might be expected in economies with official control of retail prices. But this duality of prices tends to exaggerate the apparent income elasticity of demand for the goods affected, since households in higher income groups buy more through the high-price channels of supply than does the average family.[47]

In the countries covered by the figures in Table 13, per capita joint family income appears to be an important determinant of the share of food in total expenditure; and in Poland, where the range of incomes analysed is the widest, the share varies with rising income from about 75 per cent to 40 per cent. The smaller variation recorded for eastern Germany is due partly to the smaller range of incomes considered and partly to the distorting effect of rationing, still in force in 1956.

But despite the negative correlation of the level of income with the proportion spent on food, the absolute

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[45] The virtual absence until recently, and the present limited scope, of hire-purchase facilities have also tended to limit effective demand for such goods.

[46] A. Nove: "The Purchasing Power of the Soviet Rouble", *Bulletin of the Oxford University Institute of Statistics*, No. 2, 1958.

[47] By the same token an improvement in supplies in state shops may actually result in a fall in family expenditure on the item concerned, as already mentioned above in a Soviet example.

TABLE 13

Composition of expenditure by income group in Bulgaria, eastern Germany, Hungary and Poland

Percentages of total expenditure within each income group

Country	Income group [a] (in national currencies)	Food and beverages	Rent [b]	Heat and light	Household and industrial goods	Clothing and footwear	Other
Bulgaria (1956)	Below 2 500	57.0	1.2	3.8	2.6	13.7	21.7
	2 501-3 500	51.9	1.1	3.7	3.8	16.3	23.2
	3 501-4 500	47.9	1.2	4.0	4.0	16.3	26.6
	4 501-5 500	44.7	1.2	3.2	4.5	16.0	30.4
	Above 5 501	43.4	1.3	3.2	4.9	16.6	30.6
Eastern Germany (1956)	Below 300	57.2	6.6	3.6	10.2	8.8	13.6
	300-470	51.8	5.7	3.3	11.4	10.7	17.1
	Above 470	45.3	4.6	2.8	12.8	13.8	20.7
Hungary (1957)	Below 400	60.3	2.6	5.8	3.2	12.6	15.5
	401-600	54.9	2.4	5.5	5.3	15.5	16.4
	601-800	50.4	2.2	5.1	6.5	17.1	18.7
	801-1 000	46.5	2.1	5.0	8.3	18.6	19.5
	Above 1 000	40.4	2.1	4.4	11.7	19.7	21.7
Poland (1957)[c]							
Workers	Below 4 800	64.9	3.2	4.4	..	16.1	11.4
	4 800-7 199	60.6	4.0	3.7	..	16.4	15.3
	7 200-9 599	55.0	4.2	2.7	..	18.9	19.2
	9 600-11 999	51.5	4.9	3.1	..	19.0	21.5
	12 000-17 999	47.5	5.0	3.0	..	21.6	22.9
	Above 18 000	38.5	7.7	1.7	..	22.5	29.6
Technical personnel	4 800-7 199	50.8	4.1	8.9	..	14.1	22.1
	7 200-9 599	47.6	6.6	3.8	..	17.3	24.7
	9 600-11 999	46.0	5.2	3.2	..	17.5	28.1
	12 000-17 999	43.2	4.3	2.4	..	18.3	31.8
	Above 18 000	35.3	4.6	2.7	..	20.6	36.8
Administrative personnel	4 800-7 199	55.5	4.7	3.9	..	16.1	19.8
	7 200-9 599	51.8	4.2	4.6	..	20.8	18.6
	9 600-11 999	47.9	3.6	3.1	..	22.2	23.2
	12 000-17 999	43.6	7.5	2.8	..	23.4	22.7
	Above 18 000	40.1	7.6	1.2	..	16.6	34.5

Sources: Bulgaria and Hungary: direct communications from governments; eastern Germany: *Der Handel*, No. 9, 1957; Poland: *Rocznik Statystyczny 1958*.

[a] The choice of income break-down varies among countries: the Bulgarian and Polish intervals refer to annual per capita family income, those for Hungary to monthly per capita family income and those for eastern Germany to monthly family wage income (of four-person families only).

[b] For Poland, including furniture and household goods.

[c] See footnote *c* in Table 10 and *b* above.

amounts spent on food are considerably greater in the higher than in the lower income groups. The income elasticities of expenditure[48] shown in Table 14, and the data on per capita food consumption in Table 15, indicate that there is still scope for both quantitative and qualitative improvement in diets in these countries.

The wide differences between the higher and the lower income groups in per capita consumption of such goods as eggs, meat, butter, vegetables and fruit in Poland and Hungary witness to the fact that even such foodstuffs are, for many families, too expensive to buy in quantity, and that the point of satiety is still far ahead.[49] The desire for a better-quality diet is

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[48] I.e. the percentage change in expenditure on a given item for each one per cent change in income from one income group to the next. The calculations have been carried out by considering broad movements of group averages and therefore indicate only the orders of magnitude. The concept used is usually referred to as the income elasticity of demand; owing to the limitations of supply it is perhaps more appropriate to speak here about the income elasticity of expenditure on a given item.

[49] The differences in consumption are somewhat exaggerated by the data in Table 15, since these refer to consumption per head rather than per equivalent adult consumer. Polish budgets show that the average number of equivalent adult consumers increases somewhat with rising income per head, reflecting the fact that income per head tends to be higher the smaller the number of children in the household and the larger the number of male wage-earners.

TABLE 14

Income elasticities of expenditure in broad categories[a] in eastern Germany, Hungary and Poland

Country	Income group[b] (in national currencies)	Food and beverages	Rent[c]	Heat and light	Household and industrial goods	Clothing and footwear
Eastern Germany (1956)	345	0.62	0.47	0.68	1.48	1.87
	460	0.63	0.42	0.54	1.37	1.87
	690					
Hungary (1957)	348	0.71	0.74	0.89	3.22	1.71
	505	0.69	0.72	0.72	1.82	1.40
	680	0.63	0.75	0.85	2.37	1.41
	862	0.55	1.06	0.61	2.35	1.21
	1 223					
Poland (1957)[d]	4 265	0.77	1.83	0.52	. .	1.06
	6 073	0.64	1.18	−0.08	. .	1.60
	8 131	0.74	1.64	1.59	. .	1.02
	10 679	0.68	1.13	0.82	. .	1.58
	14 150	0.50	2.45	−0.15	. .	1.10
	22 641					

Sources : As for Table 13.

[a] Percentage increase in expenditure for each 1 per cent increase in income from one income group to the next.

[b] Average incomes in intervals shown in Table 13.

[c] For Poland including furniture and household equipment.

[d] Workers only. See also footnote *c* in Table 10.

evidenced not only by low elasticity coefficients for the staple foodstuffs (rye-bread and potatoes) and high coefficients — often exceeding unity — for such items as fruit and vegetables, and in Hungary meat and butter, but also by higher unit-prices paid by the families with higher incomes. For instance, in the 1956 Hungarian budgets the average price per kilogramme of " fruit " varied from 3.91 forints in the lowest income group to 5.14 in the highest, and that of " vegetables " from 2.93 to 3.53 forints.

Expenditure elasticities for such goods as clothing, household equipment and consumer-durables are very high, with expenditure rising sometimes two or even three times faster, from one income group to the next, than per capita household income.[50] This points to the existence of wide potential markets. Moreover, demand for the most " luxurious " durables, such as cars and individual houses, is insufficiently reflected in the family budgets on which Tables 13 and 14 are based. Since these refer to households of workers and employees, they omit the richest layers of society — such as writers, artists, university professors and senior civil servants — who constitute the present, and for some time to come the potential, customers for such goods.

Thus family budget data reinforce other indications that consumers' durable goods and housing, together with high-quality clothing and food, are likely to absorb increasing shares of consumers' expenditure at present relative prices with rising incomes, but that the share of the whole food and drink group in the total can nevertheless be expected to decline. Any fall in the relative prices of industrial products with rising supplies might be expected up to a point to reinforce this tendency, given the *faute de mieux* character of some part of past expenditures on food and drink; and the figures in Table 10 in fact indicate a recent fall in the share of food in the total expenditures of similar family groups in the two countries — Bulgaria and Czechoslovakia — for which relevant data exist. While this represents a trend not duplicated in the richer countries of western Europe (see Chapter V, Section 2), in some other respects consumers' desires are similar in the planned economies to those apparent in the rest of the world. The fashion for consumer-durables in particular, which originated in the United States and swept western Europe after the war, has certainly penetrated into eastern Europe as well, being in some instances reinforced by local economic circumstances. Demand for washing-machines, vacuum cleaners and other labour-saving devices is intensified by the high level of employment outside

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[50] Little regularity appears, however, in the variation of the elasticities with income levels. This is due both to the small number of households sampled (particularly in Poland) and to the smallness of expenditure on such items. Nevertheless, a tendency is noticeable, both in Poland and in Hungary, for the income elasticities for clothing and footwear to be greater at the lower than at the higher income levels.

TABLE 15

Per capita food consumption by income group in Hungary and in Poland

Monthly averages in kilogrammes

	Per capita monthly family income (in national currencies)	Flour	Rye bread	Wheat bread	Milk [a]	Cheese	Cream [a]	Eggs	Sugar and sugar products	Potatoes	Pulses	Vegetables (incl. processed)	Fruit	Meat [b] Total	Meat [b] of which: Bacon	Butter	Lard	Vegetable fats
Hungary (1957) Workers and employees .	−400	2.83	8.40		6.31	0.15	0.12	0.41	1.57	5.17	0.13	3.50	2.32	1.45	0.11	0.04	0.75	
	401−600	2.94	8.90		6.82	0.19	0.16	0.51	1.88	5.50	0.15	4.46	3.09	2.12	0.18	0.07	0.95	
	601−800	2.97	9.01		7.14	0.22	0.19	0.63	2.11	6.11	0.17	5.42	3.93	2.77	0.24	0.10	1.05	
	801−1000	3.07	9.43		7.26	0.26	0.24	0.75	2.32	6.15	0.15	5.93	4.47	3.41	0.28	0.13	1.17	
	1001+	3.14	9.78		7.40	0.28	0.27	0.86	2.55	6.23	0.16	6.39	5.32	4.23	0.38	0.16	1.38	
	All	3.00	9.17		7.07	0.23	0.20	0.65	2.14	5.91	0.16	5.32	3.98	2.92	0.25	0.11	1.09	
Poland (1st half 1957) [c] Workers . .	−400	1.44	6.27	2.86	7.78	0.24	0.26	0.31	1.55	14.9	0.15	2.39	0.86	2.85	..	0.29	0.78	0.11
	400−600	1.62	6.12	3.11	8.56	0.28	0.31	0.46	1.69	15.2	0.17	2.90	1.16	3.15	..	0.42	0.81	0.14
	600−800	1.70	6.45	3.30	8.66	0.36	0.41	0.59	1.99	14.6	0.18	3.00	1.48	3.72	..	0.54	0.85	0.15
	800−1000	1.79	7.20	3.39	9.13	0.39	0.45	0.66	2.19	17.1	0.25	4.02	1.65	4.42	..	0.61	1.05	0.18
	1000−1500	1.96	6.94	3.95	8.88	0.47	0.52	0.72	2.47	17.5	0.25	3.89	1.88	5.24	..	0.68	1.09	0.20
	1500+	2.08	7.68	5.13	9.76	0.65	0.59	0.87	2.53	15.5	0.29	4.87	2.58	6.36	..	0.78	1.25	0.22
	All	1.71	6.57	3.35	8.67	0.36	0.39	0.56	1.99	15.7	0.20	3.30	1.46	3.93	..	0.54	0.93	0.16
Employees . .	−400	1.24	5.09	2.00	6.82	0.10	0.12	0.30	1.17	12.4	0.15	1.90	0.54	1.91	..	0.30	0.68	0.10
	400−600	1.05	4.91	2.42	8.57	0.31	0.26	0.46	1.72	12.7	0.18	2.77	1.00	2.82	..	0.48	0.62	0.10
	600−800	1.42	5.98	2.89	9.24	0.36	0.37	0.60	1.96	14.1	0.16	2.80	1.39	3.57	..	0.61	0.78	0.12
	800−1000	1.45	5.73	2.88	9.42	0.45	0.46	0.61	2.13	18.1	0.18	3.11	1.56	4.06	..	0.70	0.79	0.11
	1000−1500	1.55	4.95	3.62	9.35	0.52	0.57	0.86	2.31	16.8	0.21	3.69	1.99	4.32	..	0.77	0.76	0.20
	1500+	1.91	6.57	4.19	9.10	0.70	0.70	0.80	2.86	17.3	0.27	4.72	3.05	6.29	..	0.96	0.90	0.22
	All	1.50	5.48	3.10	9.04	0.43	0.45	0.64	2.10	15.5	0.19	3.22	1.64	3.92	..	0.67	0.76	0.15

Sources: Hungary: *Magyar Statisztikai Zsebkönyv 1958*; Poland: *Biuletyn Statystyki Warunków Bytu*, No. 2.

[a] In litres for Hungary and in kilogrammes for Poland.

[b] The preliminary 1957 data for Hungary do not provide statistics of consumption of various kinds of meat in the 1956 budgets, consumption of pork increased from 0.57 in the lowest income group to 1.49 in the highest one, that of beef and veal from 0.21 to 0.37 and that of poultry from 0.21 to 0.61 respectively.

[c] See footnote *c* in Table 10.

the home among married women, and demand for refrigerators by the irregularities of supply of some foodstuffs.[51]

Another field in which consumers expenditure can be expected to increase, though this cannot easily be deduced from family budgets, is that of services.[52] The current ambitious building plans are bound to add to per capita living space and therefore to the amount paid in rent, even if rent policies do not change in the direction of bringing charges nearer to cost. Moreover, private and co-operative building are everywhere encouraged, together with purchases of publicly-owned houses in some countries, thus opening new outlets for consumers' expenditure.[53] The element of distributive services in expenditure on goods also seems likely to rise in future.

The Usefulness of Family Budget Enquiries as a Tool for forecasting Expenditure Patterns

Bearing in mind the contrasts, referred to in Chapter V below, between the income elasticities of expenditure at a moment in time derived from family budget studies in western Europe and the observed elasticities of aggregate consumption expenditure over time, the question arises whether family budget enquiries in eastern Europe can provide a basis for assessments — going beyond the rather broad deductions drawn above — of the future structure of consumers' demand in these countries. It is certainly true that an undiscriminating use of elasticities derived from family budget data for the projection of future demand structures is bound to be misleading. For example, such a projection would implicitly assume that the family whose income increases immediately acquires the consumption habits of the income group which it joins, and that a peasant family moving to town immediately adopts urban patterns of consumption.[53a] Such assumptions are obviously rather distant from the truth and, in periods of fast increase in income or rapid urbanization, may cause major distortions. It is quite likely, for instance, that the maintenance or even increase of the sales of cereals and potatoes, observed in some countries during a period of increasing income,[54] which is difficult to reconcile with the apparent low static income elasticities of expenditure on these products, is explainable partly by the addition to the urban clientele of new immigrants from the countryside who had carried with them their former consumption habits. Yet another reason for such apparent inconsistencies is that increases in average income in the recent past have been due chiefly to rising incomes within the lower income brackets, i.e., among families whose income elasticity of demand for food was relatively high.

Other factors tending to falsify such projections are the introduction of new commodities into the market, and changes in fashion or taste. Even more important is the fact that any simple projection of static income elasticities ignores the possible effects of changes in relative prices.

However, some of the present inadequacies of family budget inquiries could in practice be overcome, though at some cost in terms of more elaborate and frequent inquiries than have been undertaken in the past; and such an effort might well be more worthwhile, for the purposes of forecasting consumers' expenditure, in eastern Europe and the Soviet Union than in western Europe.

The fact that in centrally planned economies, more readily than in market economies, the authorities can control or at least foresee changes in some of the main variables which enter into the demand function (structures of prices, incomes and employment, development of alternative supplies, etc.) increases their opportunities for usefully applying family budget data in forecasting the future structure of consumers' demand. However, this does not mean that the material already in existence can be of much use for this purpose — and not only because supply limitations have distorted the picture of demand which it provides.[55]

Until about the mid-1950s, family budget studies in eastern Europe aimed mainly at obtaining such data as were not otherwise available on the composition of family income, on the living standards of particular

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[51] The need for "mechanization" of households, deriving from the role of women in a socialist country, was stressed by Mr. Mikoyan in his address to trade workers in October 1953.

[52] Family budgets nevertheless indicate a high income elasticity of demand for public catering. In Hungary, for instance, expenditure on food consumed in enterprise canteens has been shown to increase five times from the lowest to the highest income group in 1956 and expenditure in restaurants increased 30 times.

[53] Purposive saving schemes, for the acquisition of houses as well as of other durable goods, are now in operation in most eastern European countries and, as has been mentioned above, hire-purchase facilities have been extended everywhere during the last year or so.

[53a] This difficulty could to some extent be overcome by studying the consumption expenditure of the same families over time The material derived from Soviet family budget inquiries would, it seems, allow for such an analysis since there is a tendency for the same families to be covered in successive samples.

[54] See Section 1 above.

[55] The following increases in sales were observed in Poland in the first half of 1958 compared with the first half of 1957:

Washing machines . . .	72 per cent
Bicycles	36 per cent
Motor cycles	50 per cent
Refrigerators	164 per cent
Vacuum cleaners	126 per cent

Since the increase in nominal incomes over this period was, broadly speaking, equivalent to increases in prices, it is pretty clear, concludes *Zycie Gospodarcze* (No. 36, 1958) — from which this example is taken — that the increased demand for these products is not so much a function of income as the result of improved supplies.

groups of the population, or on expenditure distributions required to provide weights for the cost-of-living index. They were not, in general, designed to provide a picture of expenditure patterns for a fully representative cross-section of the population.[56]

In recent years family budget enquiries have everywhere been given a new lease of life, resulting in an extension of their scope and coverage, but sampling methods are still generally unsatisfactory if a random sample representative of the whole population is taken as the objective.[57] There is still a tendency to concentrate principally on industrial workers; and in Poland workers in four large industries only (mining, metallurgy, engineering and textiles) were covered in 1957, certain categories — such as workers deriving additional income (in cash or kind) from agriculture — being altogether excluded from the sampling frame. In eastern Germany enquiries are still limited in scope; and until 1957 they were restricted to industrial workers' families of four members. In Hungary the samples make no claim to randomness but are said to be representative with regard to joint family income, family size, and number of wage-earners per family; and peasant families deriving the major part of their income from non-agricultural pursuits are excluded from the sample.

Apart from the limitations of coverage, the non-random methods of sampling adopted have two important disadvantages. First, the selected samples are unrepresentative with regard to the variables not introduced at the stratification stage, resulting in a certain rigidness of the sample which does not allow for any departure from the pre-determined lines of analysis.[58] Secondly, no means exist for testing the results obtained for statistical significance. Criticism of such drawbacks has recently been voiced by Mr. Pisariev, a member of the Academy of Science of the Soviet Union, who suggested that the " unscientific " methods which produce an unrepresentative sample " strongly reduce the value of the material collected ".[59] It is likely that his article foreshadows a change of methods in the Soviet Union in the near future; and the east German Central Statistical Administration has suggested recently to CMEA that steps be taken to improve methods and international comparability of family budgets in all eastern European countries.[60]

On the other hand, the investigations carried out in eastern Europe and the Soviet Union are in two respects at present superior to those undertaken elsewhere. First, far more information is collected: in Czechoslovakia, for instance, the post-1956 surveys required answers to not less than 919 questions,[61] and in the Soviet Union and some other countries questions are asked not only about revenues and outlays in money and in kind but also about the source of acquisition of goods.[62] Secondly, the universally adopted system of direct contact of full-time statisticians with the families maintaining the records, though costly, is naturally superior to the correspondence links more usual in western Europe. On the average, one such trained investigator serves 20 to 30 households, the latter being visited at least twice a month.

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[56] Although relatively little is known about the use which is being made of such studies in the Soviet Union, their scope — they covered 47,000 households and about 170,000 persons in 1957 — and the wealth of information demanded, indicate a wide range of applications. In eastern Europe, also, only fragmentary analyses are published of the data collected (except in Hungary), but there are indications that in some countries attempts are being made to calculate — and to use — income elasticities of expenditure.

[57] For a list of references on the methodology of family budgets in eastern Europe and the Soviet Union, see Appendix B. Four countries, Bulgaria, Czechoslovakia, Poland and Rumania, seem to follow the method of selection applied in the Soviet Union since 1951, which consists, broadly speaking, in a two-stage proportionate sampling procedure. In the first stage, enterprises are drawn in a quasi-random fashion from lists arranged according to the average wage fund of the enterprise (within each industrial branch). Every *n*th enterprise is selected, the interval having been determined by dividing the total number of workers by the number of enterprises to be chosen from the given branch. In the selected enterprises, lists of wage-earners (stratified in some countries by skill) are prepared in descending order of wage, and again every *n*th worker is drawn, *n* being determined this time by dividing the total number of wage-earners in the given enterprise by the number of workers allocated to it in accordance with its weight. The final sample is thus representative with regard to industry and individual wage, but not necessarily with regard to joint family income distribution. Moreover, in all countries, small enterprises are excluded from the first sampling stage, and there is also a general tendency to select only a small number of enterprises to reduce the cost of the survey. The selection of the sample by drawing wage-earners rather than families results in some over-representation of families in which there is more than one wage-earner and perhaps even of industries in which such families are more frequent (e.g., textiles).

[58] For instance, the sample may be unrepresentative with regard to family size should this variable be inter-correlated with, say, the wage. Suppose that the universe consists of three workers earning 150, 100 and 50 units, whose family size is 5, 2 and 1 respectively. The method described in footnote 57 will tend to ensure the selection of the worker earning the average wage (i.e., 100) or of both the other workers. In neither case will the sample be representative of the universe with regard to family size. An enquiry into the employment and income structure of households, based on a sample of households rather than of wage-earners, was undertaken in Czechoslovakia in 1957. One objective of the investigation — covering 30,973 households, or about 1 per cent of the total — was to provide estimates of the distribution of certain characteristics of households for the purpose of re-weighting the results of earlier family budget enquiries. This showed *inter alia* the average size of family to be 3.49 persons among workers and 3.36 among employers, whereas the 1957 family budget data showed an average of 3.9 persons in both categories (*Statistický Obzor*, No. 11, 1958).

[59] *Sotsialistichesky Trud*, No. 2, 1958.

[60] See *Der Handel*, 8 August 1958. The United Nations Conference of European Statisticians has included in its current work programme the study of " The use of family budget inquiries as a source of data for indicators of short-term changes in private consumption expenditure".

[61] *Statistický Obzor*, No. 1, 1956.

[62] See A. I. Petrov, *Kurs ekonomicheskoy statistiki*, Moscow, 1954, and, on Rumania, *Revista de Statistică*, No. 2, 1958. This is now in the Soviet Union the basis for estimating production from private plots, urban gardens and privately owned livestock and for checking on the volume of transactions on the free market.

Thus two main improvements in the methodology of family budget studies are required in these countries if the results are to provide an even moderately reliable guide to future changes in expenditure structures: first an extension of the coverage and an improvement of sampling techniques and, secondly, the collection of data over a long enough period and at sufficiently frequent intervals to provide some indication not only of income elasticities but also of price elasticities of expenditure. Very little is as yet known in these countries of the reaction of consumers' demand to price changes,[63] and attempts to adjust prices so as to restore a desired balance of supply and demand have, on occasion, produced most unexpected results.[64]

It is because of the limitations of past family budget inquiries, and the absence of other adequate means of assessing consumers' desires and intentions, that the current long-term consumption plans still represent either targets based on observed consumption patterns in some richer country or a mixture of planners' ideas of what is good for the consumer and their rough guesses at what he is likely to want. This is well illustrated by the long-term (1961-1975) plan of Poland, in which it appears that the composition of consumption in 1975 is assumed, in rough outline, to approach that of western Germany in 1956. However, the details of the food diet in the target year have been worked out on the basis of desirable physiological norms, and the total volume of consumption of industrial goods was simply determined as the residual of the global " material " fund of consumption less the part devoted to food.[65]

In eastern Germany the plan simply provides for current western German per capita consumption levels for foodstuffs and the most important industrial goods to be reached by 1961. In the Soviet Union, also, the stated aim of overtaking present United States per capita levels of output of milk, butter and meat by the early 1960s suggests a rather similar approach to the assessment of consumers' needs. Moreover, the Seven-year Plan draft provides for an output in 1965 of 88 billion roubles of " household goods and machines and appliances which lighten women's housework " [66] which, if it were all sold to households, would raise the share of household expenditure on such goods to about 10 per cent — not very different from the current proportions in France (9 per cent) or in the United States (10 per cent).[67]

In discussing future consumption trends in Czechoslovakia, however, the Minister for Internal Trade has recently stated that studies of the present income and expenditure of the population have led to the expectation that the greater part of future increments of total consumers' income will be spent on industrial goods and that demand for housebuilding and repairs, household durables, motor-cars and other high quality consumers' manufactures will rise particularly fast.[68] At the same time the plans provide for reductions in relative prices of basic foods, textiles and footwear over the next few years, with the aim of raising the real incomes of, and securing socially desirable consumption patterns in, the poorest families; and a rise by 1965 in average per capita consumption of high quality foods is expected to be accompanied by a lower intake of cereals and potatoes.

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[63] An isolated example of an inquiry into price elasticities of milk and milk products is provided by the analysis of the 1955 and 1956 family budgets in Hungary, undertaken in connexion with price reductions of these products, *Statisztikai Szemle*, Nos. 4-5, 1957.

[64] An illustration is provided by recent attempts to establish the desired balance of relative consumption of butter and margarine in Poland. Increases in nominal wages in the first half of 1957 led to a more than proportionate increase in the demand for butter and a drop in the demand for margarine. In order to adjust the equilibrium without further recourse to butter imports, its price was increased by as much as 30 per cent, and the price of margarine reduced by about 10 per cent in October 1957. In the first half of 1958 consumption of butter fell by around 10 per cent (compared with the first half of 1957) and that of margarine doubled. Both the price elasticity of demand for butter and the elasticity of substitution of butter for other fats seem to have proved greater than was expected (*Zycie Gospodarcze*, No. 33, 1958).

[65] *Handel Wewnetrzny*, No. 3, 1958.

[66] Cf. footnote 51 above.

[67] This, of course, does not necessarily imply similar consumption patterns in physical terms.

[68] See *Rudé Právo*, 27 November 1958.

3. The Problems of adapting Supply to Demand

The Role of Total Consumers' Demand

A more detailed knowledge of the structures and trends of consumers' expenditure discussed in the earlier sections of this chapter could provide a better basis than at present exists for anticipating broad changes in expenditure structures as incomes rise. But two major questions remain: what type of balance in the consumers' market of these countries is to be the aim of the Soviet and eastern European authorities; and, secondly, are consumers' desires, in general, to be adjusted to production decisions or vice versa, and by what means ?

It is within the power of the governments of this region, even more than of those in western Europe, to choose whether to operate their economies with an " inflationary " or a " deflationary " bias, though central planning of total supply and income can, of course, be upset by such factors as the practical difficulty of controlling wage funds [69] and peasants' incomes or by other unforeseen variations in activity in the private sector — still significant in some countries. To what extent a deliberate choice of some " inflationary pressure " was made in the past is difficult to say.[70] In the Soviet Union in the 'thirties (as later in eastern Europe until at least the early 'fifties) wage-earners' employment rose, relatively to output, faster than planned and average earnings were also allowed to drift upwards fairly rapidly — which must have simplified the task of adjusting differentials from time to time. Retail prices were also rapidly pushed up, though not so fast as to eliminate shortages which were, in fact, continuously evident. The tendency for money demand to outrun supply — itself the result mainly of decisions in narrower fields of policy, based in part on political and administrative convenience — was rationalized into a theory of the desirability of excess demand to draw forth supply.[71] This has been repeated in the Soviet Union as recently as 1956, though there are signs that it is no longer generally accepted economic doctrine.[72] An opposite view recently advanced is that, while excess demand in the consumer-goods market may be unavoidable in a transition period of general strain on resources and experimentation with new methods of planning and policy implementation, it " generates fatalism and pessimism and is welcomed by some incompetent employees since it justifies their bad work. It presupposes a permanent shortage of goods and services and this acts as a disincentive to the worker who cannot spend his income fully." [73]

In fact, the preference of the authorities everywhere now seems to be for an equilibrium in the consumers' market at a fairly stable over-all price level. After the very general conditions of scarcity of the earlier post-war years, this was generally more or less achieved by about 1955/56 and again in 1958. While isolated shortages still exist everywhere, the occasional building up of stocks of unsaleable goods has become an increasingly familiar occurrence.[74]

There is some ground for thinking that the danger of imbalances of this kind, within a consumers' market in which aggregate money demand and aggregate supply are more or less in balance at current prices, is greater in an economy with the type of central planning now practised in eastern Europe and the Soviet Union than in a market economy. In the latter type of economy a multitude of individual enterprises make their own guesses about future market trends, supported by varying amounts of knowledge of current developments. To some extent individual errors of forecasting cancel out — at least when there are no violent fluctuations in aggregate demand — and production in fact adapts itself fairly quickly to changes in the pattern of consumers' demand, though of course not entirely without waste of resources in the process. In the eastern European countries and the Soviet Union, on the other hand, flexibility in production is to some extent deliberately sacrificed to secure greater certainty of continuous full employment of productive resources. However, with rising real incomes, and the more complicated structure of consumers' preferences that inevitably follows, a slow adaptation of production to changes in consumers' demand increasingly involves the danger of waste of resources — if not in the form of underutilization of labour or capacity in some branches of output then through the need temporarily to subsidize sales of some goods (beyond such degree of subsidization as may be dictated by social policy), while others remain scarce at prices reflecting their real costs. Moreover, even if the authorities in any country are prepared to accept some waste of this kind as a price worth paying to avoid frequent changes in production patterns, they still face the problem of ensuring that their adjustments of relative prices are in fact such as to stabilize, rather than to de-stabilize, the market.[75]

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[69] See the SURVEY for 1957, Chapter VII, Section 3.

[70] See the SURVEY for 1955, Chapter 7, Section 4.

[71] See Stalin's report to the XVI Party Congress in 1930: "As a result of the advantages of socialism [mentioned before] the increment in effective demand of the masses in the Soviet Union always exceeds the increment in production, pushing it forward, whereas in capitalism by contrast the increment in purchasing power never attains the increment in production and always lags behind it, which dooms production to crises. . . . The growth of the domestic market [in a socialist economy] will exceed the growth of industry and push it ahead to uninterrupted expansion." (*Sochinenia*, Vol. 12, pp. 291 and 322-3.)

[72] Addressing the XX Party Congress in January 1956, Mr. Mikoyan, the Deputy Prime Minister particularly responsible for trade questions, said that " in a socialist society demand must be ahead of the supply of goods. The ever-increasing demand pushes ahead the production of goods . . . . " On the other hand, a number of economists in the Soviet Union and eastern Europe have questioned this view. (See, for instance, *Der Handel*, No. 3, 1958, *Sovetskaya Torgovlya*, No. 3, 1957, and L. Gatovsky, *Kommunist*, No. 9, 1955.) The official Soviet manual on political economy (*Politicheskaya ekonomia*, Moscow, 1955) replaced the assertion of the desirability of an excess of demand over supply by the need for " a harmonious co-ordination of the growth of purchasing power and of the simultaneous growth of production ", but it is still stated that " a steady increase of the material and cultural needs of the working masses and of their purchasing power is a necessary condition without which production cannot progress " (p. 417).

[73] See " A false thesis handicaps the production of consumers' goods ", in *Der Handel*, No. 3, 1958, and a similar argument by Chernik and Stanislavsky, " Effective demand and production under socialism " in *Partyinaya Zhyzn*, No. 12, 1956. In Poland it has been pointed out that " It was believed that demand should always exceed supplies . . . but this was simply making a virtue of necessity. The need for central allocation is a result of shortages of supplies to enterprises and to the population . . . which are hampering economic development ". (E. Szyr, " *O zmianach w systemie zarzadzamia i kierowania gospodarka narodowa* ", Warsaw, 1958, pp. 16-17.)

[74] " If in the past the buyer was willing to purchase everything that was laid out on the counter, to-day he is more selective, and production, in order to satisfy him, must enter into all the fine details regarding variety, colours, sizes, quality etc. In most recent times trade has had difficulties in fulfilling turnover plans ". (*Rudé Právo*, 1 August 1958.) In Poland, the 1958 Plan for increases in trade stocks — considerably larger than in preceding years — was exceeded, while the accumulation in industry of consumers' goods unwanted by trade reached the value of about 3 billion zlotys (or nearly 3 per cent of the wage fund).

Market Research and Planning

It has been suggested, in Section 2 above, that greater exploitation than in the past of the potentialities of family expenditure surveys could assist the authorities in forecasting the development of the broad structure of consumers' expenditure and in assessing probable reactions to large changes in relative prices. But for an assessment of market tendencies in more detail, supplementary techniques need to be applied.

So far, the burden of studying the market has rested almost exclusively on individual retail and wholesale trade enterprises; and their interest has been directed principally towards fluctuations in levels of sales and stocks, and the registration of consumers' behaviour on the shop floor. Systems of statistical reporting on sales and stocks, though generally well developed, provide a somewhat inadequate barometer of demand, since they can reveal little about demand for scarce goods or for new products. In fact, such indicators, at best, show what the customer does not want: they throw little light on what he does want. Moreover, the value of stocks statistics is further limited in practice by the fact that stocks are reported in detail, and at short intervals of time, only at the wholesale stage. Since wholesale enterprises tend to try to force goods upon the retail outlets up to the limit of the supplies available (see below) wholesale stocks may reflect demand changes only slowly.

Various methods are in use for drawing on the experiences of shop assistants in their direct contacts with the consumer; and these are most developed in the Soviet Union. There shop assistants in large shops note in detail the requests of customers for products not available, and summary reports of such requests are then submitted to the wholesale organizations:[76] letter-boxes in shops for registration of complaints are also popular. However, such methods are naturally of very limited value for the quantitative assessment of demand: not every potential buyer takes the trouble to put in a request for an article not available while, on the other hand, a customer may request more goods than he could in fact afford to buy, since he does not expect to obtain everything he asks for. The danger that an exaggerated impression of the volume of effective demand for various goods may thus be created is particularly acute in a period when many goods hitherto unobtainable are beginning to appear in the shops.[77]

Exhibitions and organized meetings of trade workers and representatives of the public serve the double purpose of assessing public reaction to new products and of influencing consumers' preferences; and advertising and special window-displays are often particularly directed to disposing of surplus goods. However, the means of sales promotion are still rather poorly developed in all eastern European countries. In eastern Germany, paradoxically, the advertising budget of any retail enterprise is a fixed proportion of its turnover, and its real need for publicity is ignored.

Such devices as more imaginative advertising or readier resort to sales at cut prices could contribute, as they do in western Europe and the United States, to an adjustment of consumers' demand to supply — when those responsible for supply have failed to foresee accurately the development of demand. But it has long been acknowledged in principle that a better forecasting of demand is the more important goal.[78] For this purpose more refined market research methods are needed than those at present in use. It seems necessary, and — within limits — it should be possible, to expand household inquiries or to institute special surveys to cover questions on consumers' intentions and motivations, thus going beyond the scope of the consumers' actual expenditure so as also to obtain some idea of what he is likely to do with his increment of income. Such questions can be asked directly and in certain detail; and at least a rough indication of reactions to price changes could perhaps be obtained by confronting the respondent with a set of hypothetical prices. In these fields, the experience of market research gathered in North America and western Europe, particularly after the war, could well be turned to use — after any necessary adaptation of techniques — in the planned economies. The surveys undertaken by such institutions as the National Sample Survey of India or the Social Survey Unit in the United Kingdom have provided useful experience in sampling techniques; and modern methods of mechanical tabulation, including the use of electronic equipment, can now be relied upon for a rapid cross-tabulation of responses in the necessary detail.[79]

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[75] In the Soviet Union unexpectedly severe shortages of vegetables, fruit and potatoes occurred in 1953 as the result of price reductions (*Sovetskaya Torgovlya*, No. 1, 1957).

[76] See " Our experience of the analysis of demand ", *Sovetskaya Torgovlya*, No. 8, 1957. However, there are frequent complaints that the wholesale organizations take insufficient notice of such reports (see, for example, I. Ionescu: *Studierea Cererii de Mărfuri in Comerţul Socialist*, Bucharest, 1957, p. 75; and *Hospodářské Noviny*, No. 34, 1957).

[77] For example, it is now admitted that an exaggerated impression of the effective demand for many consumers' durable goods was created in Poland by buyers " queueing " for more goods than they could afford simultaneously, and actual demand as supplies rose was less than had been anticipated. In Czechoslovakia, greater opportunity to acquire family houses by building privately or joining a housing co-operative has recently led to the withdrawal of many deposits made against orders for new motor-cars (Chamber of Commerce of Czechoslovakia, *Economic News Service*, No. 1, 1959).

[78] As one Soviet writer has put it: " It is no great merit to reveal the goods for which there is no demand and to assess the surplus. The task lies in foreseeing the surpluses and the potential discrepancies of supply and demand in order to prevent them " (*Sovetskaya Torgovlya*, No. 3, 1955).

A less ambitious beginning has been made in some countries with *ad hoc* surveys designed to answer the most urgent specific questions — for instance on the likely growth of demand for goods involving heavy investment both by the producer and by the consumer. An inquiry aiming at the assessment of the degree and direction of household planning of purchases of consumers' durable goods was carried out in September 1957 in Czechoslovakia,[80] where the expansion of field surveys has now been given official encouragement,[81] and an inquiry was also recently made into the use of public catering facilities (both canteens and restaurants) and the reasons for which people patronize them.[82] In Hungary, the reasons for the stagnation, and even decline, of fresh milk consumption since the early 'fifties have been examined in a special study which combined operative statistics with the results of household and shop inquiries.[83]

Nevertheless, such activities seem to be only at an early stage of development. In the past, the internal trade institutes — which exist in some form in Czechoslovakia, eastern Germany, Hungary and Poland [84] — have devoted most of their attention to rather technical questions of organization of the trade and catering system; and only in Czechoslovakia is there any indication that they are yet undertaking fairly extensive research activities in the field of consumers' demand. In view of the conflicts of interest between industrial, wholesale and retail organizations discussed below, some concentration of such work in future would seem desirable — probably in the hands of institutes of this kind and central statistical offices, both co-operating closely with the planning authorities.

The Links between the Consumer, Trade and the Producer

A number of changes in the existing organization of trade and production in each country of the region are likely to be necessary if the maximum consumers' satisfaction is to be generated from any given allocation of resources to consumption. Essentially, these changes will need to be in the direction of moving farther away from the old system (already slightly modified) in which centrally planned production of consumers' goods was allocated to consumers through the trade network, and nearer to one in which the trade network transmits indications of consumers' preferences to the producing units and these, in turn, have an interest in adjusting their output to meet those preferences. The tendency to regard the distributive system mainly as a means of allocating scarce goods to favoured categories (regional or social) of consumers has been only gradually modified during the post-war period as scarcities have been reduced.[85]

A prerequisite for further modification is a reasonably dense, adequately equipped and staffed, distribution network — desirable, in any case, as a contribution to consumers' comfort. Although it is impossible to establish international norms in this field, it seems that, in contrast with western Europe — where employment in trade is excessive in some countries — the distributive trades in eastern Europe and the Soviet Union have suffered, not only from understaffing, but also from under-investment (especially in vehicles, buildings and packing machinery.[86]) The figures in Table 16 give a good indication of the variations in the provision of retail trade services in eastern Europe and the Soviet Union. Only eastern Germany shows a retail network and share of population engaged in trade comparable with western European proportions: and this is closely linked to the maintenance of an important private sector in that

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[79] An urgent need to test the adaptability of market research tools used in free market economies to conditions prevailing in planned economies was recently stressed at a Conference of Trade Faculties in Poland (*Handel Wewnetrzny*, No. 4, 1958).

[80] Consumers were also sounded on other topics such as preferences for ready-made against tailored clothing, the degree of satisfaction with the quality of certain goods, etc. (*Hospodářské Noviny*, No. 3, 1958).

[81] See an article by the Chairman of the Central Statistical Office in *Rudé Právo*, 12 April 1958.

[82] *Statistické Zprávy*, No. 7, 1958.

[83] *Statisztikai Szemle*, Nos. 4-5, 1957.

[84] In Hungary and in most other countries these institutions appear to have operated under — or as — departments of the Ministry of Trade. In eastern Germany there are three institutes attached to universities (and with a more scholarly character) and one institute, founded in 1956, subordinated to the Ministry of Trade.

[85] The need for further development in this direction has been increasingly recognized in discussion in these countries. According to an article in *Der Handel*, No. 1, 1957: " The only thing that was missing [from the past attitude towards trade and the consumer in eastern Germany] was a directive to the consumer telling him what he must buy ". The resolution of the Socialist Unity Party of eastern Germany passed at its Fifth Congress concluded that " The main task at present consists of eliminating all the remnants of the allocation approach to the distribution of goods " (*Neues Deutschland*, 18 July 1958).

[86] The proportion of sales in packages in Soviet shops has been rising slowly, but there are few foodstuffs recorded as sold packed to the extent of 10 per cent of total sales. The Seven-year Plan requires that 50 per cent of food be sold packed by 1965. (*Sovetskaya Torgovlya*, 15 March 1956; and *Pravda*, 19 January 1959).

TABLE 16

The retail trade network in selected eastern and western European countries

Country and year		Retail outlets per 10,000 inhabitants		Employment		Retail trade turnover	
		Total	*of which:* Shops	in total trade per thousand inhabitants	in retail trade per retail outlet	per retail outlet	per person employed in retail trade
		Number		*Number of persons*		*Thousands of roubles at tourist exchange rates*	
Bulgaria	1956	43	28	16	. .	536	322 [a]
Czechoslovakia	1956	87	61	36	2.1 [b]	607	298 [b]
Eastern Germany	1956	135	115	53	2.7 [c]	358	133 [d]
Hungary	1956	45	36	29	3.7	775	210
Poland	1956	55	50	24 [b]	2.2 [b]	656	323 [b]
Rumania	1956	33	27 [e]	18	2.6	559	212
Soviet Union	1956	31	24	19	4.1 [f]	889	202
Belgium	1947	. .	352	55	1.5	. .	. .
Denmark	1948	. .	144	65 [g]	3.1	. .	. .
Finland	1952	. .	85	40 [g]	3.5	. .	. .
France	1954	. .	164	61	. .	. .	. .
Western Germany	1950	. .	120	46	3.0	. .	. .
Sweden	1951	. .	126	58 [g]	3.8	. .	. .
Great Britain	1950	. .	112	65 [h]	4.4	. .	. .

Sources: National statistics and *Economic Survey of Europe in 1955*, Table 66, p. 134.

NOTE. — Retail trade includes the private sector and public catering; numbers of retail units refer to end of year; employment figures are annual averages except for eastern Germany (end of year); population figures are mid-year estimates except for the Soviet Union (1 April).

[a] Employment excludes private sector.

[b] Excluding private sector.

[c] *Of which:* wage-earners per retail unit: 2.1.

[d] Per wage-earner: 171.

[e] Including private sector of public catering.

[f] 1955.

[g] 1950.

[h] 1951.

country. In Czechoslovakia, Hungary and Rumania, the virtual disappearance of private shops (see Chart 2) has substantially reduced the network; but since 1950 the number of retail outlets in Poland has risen continuously despite the fall in the numbers of private shops up to 1955. A similar expansion of the fully socialized Soviet trade network has occurred; but even in Poland and the Soviet Union the increase in retail outlets has lagged behind the rise in turnover.

The Soviet Union, Bulgaria and Rumania appear to be far less well supplied with trade services than Hungary and Poland — themselves surpassed by Czechoslovakia and eastern Germany — whether adequacy is measured simply by the number of retail outlets in relation to population or taking into account also the staff per shop (which incidentally seems to be of the same order of magnitude in eastern as in western Europe) and the volume of sales per shop.[87]

In the first five countries substantial investments and a considerable increase of employment in trade are necessary, even at present levels of turnover, to eliminate excessive waiting time (inside and outside shops) and the over-long distances between shops in many areas.[88] In the Soviet Union there still seems to be an ambivalent attitude to distribution. The need for a qualitative improvement in retail services has been stressed and, in addition, 80,000 new shops and kiosks are provided for in the Seven-year Plan (probably enlarging the network by one-seventh). The new statistical abstract contrasts low Soviet employment in trade with the waste in capitalist trade, but an increase in such employment is in fact planned.[89]

However, the reforms undertaken during the last few years, or now under consideration, have everywhere been less concerned with the extension of the trade network than with such issues as the decentralization of distribution, increased autonomy for trade enterprises and economic incentives for trade per-

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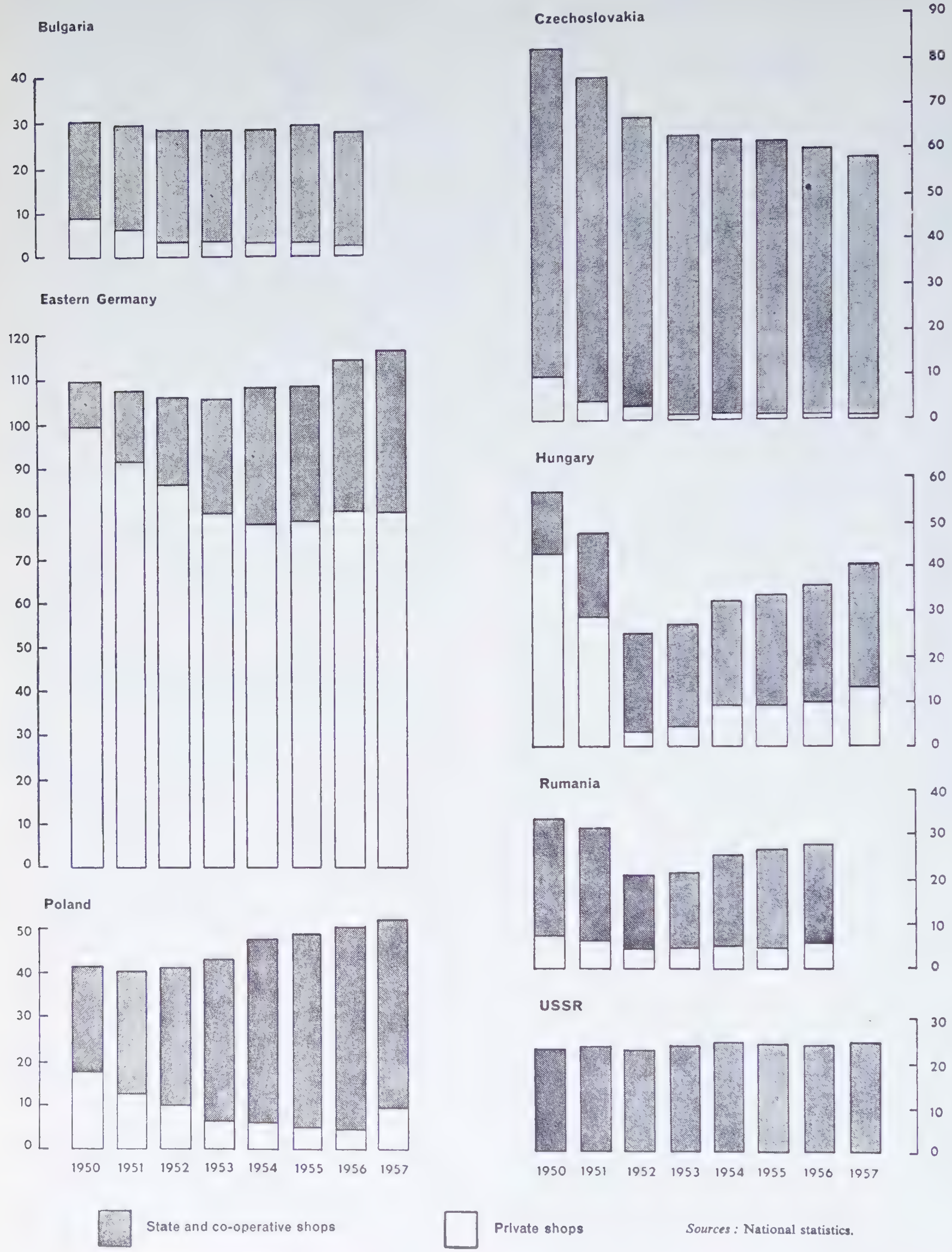
[87] The comparability of the indicators in Table 16 is somewhat limited by the exclusion of peasant markets, which are very important in the Soviet Union, Hungary, Bulgaria and Rumania, less important in Poland and Czechoslovakia, and almost negligible in eastern Germany. Furthermore, the relatively low degree of urbanization in Bulgaria and Rumania means that they need relatively fewer shops, in proportion to the population, than do other countries. However, the broad conclusions drawn here regarding the relative adequacy of each country's trade network are still valid.

[88] The Director of the Internal Trade Institute of Poland stated recently that although there are no accurate studies on the subject, the length of time spent on shopping is undoubtedly several times higher in Poland than " abroad ". (*Handel Wewnetrzny*, No. 4, 1958). See also *Revista de Statistica*, No. 5, 1958.

[89] See *Pravda*, 27 September 1958, and *SSSR v tsifrakh*, 1958, p. 429.

CHART 2

Shops per ten thousand inhabitants in eastern Europe and the Soviet Union



Sources : National statistics.

sonnel — all, of course, important as means of improving the link between consumer and producer. At the same time, the related need for producing enterprises to be given both greater scope and greater incentive than in the past to vary output in response to consumers' demand, has been everywhere recognized in principle. The former practice of approving production plans for consumers' goods while trade plans were still unformulated has been reversed, in eastern Germany and Hungary at least,[90] and producing enterprises have everywhere been given greater freedom — though in widely varying degree — to decide their assortment plans. Moreover, profit (however defined) is being given increased importance, relatively to fulfilment of output or delivery plans, in measuring, and rewarding, an enterprise's " success ".[91] However, the exact combination of certainty and flexibility in production planning which will eventually be chosen still remains in doubt in all countries of the region.

A step towards a greater flexibility of the system was made in most countries of the area during 1956 and later years by subordinating both the lower trade echelons and some sectors of production of consumers' goods (mainly foodstuffs) to local authorities. The decentralization thus achieved has brought industry, the trade and the consumer closer together and has also reduced considerably the cost of, often unnecessary, transfers of goods which took place under the earlier " vertical " organization of production by Ministries.[92] In the Soviet Union decentralization both of industrial management and of trade went further than it did elsewhere,[93] but, while solving some problems, has created others. In particular, wholesale organizations have tended to supply local needs of goods in short supply at the expense of other areas;[94] and similar tendencies, though on a smaller and probably less harmful scale, have been noted in other countries.

The subordination to local administration of a large area of production and distribution of consumers' goods would be more effective but for the conflicts of interest, inherent in the prevailing system, between retail trade on the one side, and wholesale trade and industry on the other. In general, industry has an interest in reducing the choice of goods whereas trade would like to enlarge it. The relative bargaining strength of trade *vis-à-vis* industry has recently been increased in most countries by giving more importance to the achievement of the delivery plans (rather than output plans) of producing enterprises, thus making a refusal by the trade network to accept deliveries a more effective method of quality control. However, in conditions of a general sellers' market — even with isolated production surpluses — trade tends to be at the mercy of industry since in order to fulfil turnover plans (and this is still a condition for receiving premia, etc.) trading enterprises can be forced to accept unpopular supplies.[95] Unfortunately, the wholesale organizations still tend to act as the executive arm of industry, rather than as commercial intermediaries, and are continuously accused of taking the side of industry in all disputes with retailers.[96] Delivery contracts are still easily broken on both sides and collusion between industry and trade, referred to as " reciprocal amnesties ", is stated to be frequent, usually to the detriment of the consumer.[97]

In the circumstances it is not surprising that ways are being sought in some countries to reduce the role of the wholesale institutions, or even to eliminate them altogether as, on the all-Union basis, has already been done in the Soviet Union. There are, however, dangers in such an approach. In Poland the number of centrally distributed articles had, in fact, been reduced to 32 by 1958 and retail enterprises are now free to contract directly with industry for other goods. However, industry's selling prices are fixed in terms of unified prices at point of delivery, all transport costs being borne by the producer. Producers therefore tend to supply the neighbouring areas at the expense of more distant places; and one result of the new system was that hosts of retail trade representatives began to travel up and down Poland in search of goods not locally available.[98] In the Soviet Union attempts to curb the power of wholesale trade and of industry have taken the form of requiring the wholesale trade to deliver to shops only against specific orders, and requiring producers of consumers' goods to alter assortment plans by up to 10 per cent at the request of wholesale agencies if the goods planned are not selling well.[99]

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[90] *Közgazdasági Szemle*, No. 6, 1955.

[91] See the SURVEY for 1957, Chapter I, Section 6, and Chapter I, Section 2, above.

[92] In 1957, for example, the Uzbek Republic produced silk materials to the value of 820 million roubles, of which 536 millions were exported; at the same time silk fabrics to the value of 755 million roubles were imported into this Republic from outside (*Sovetskaya Torgovlya*, No. 10, 1957).

[93] In November 1958, the USSR Ministry of (Retail) Trade was abolished and only Union-Republican ministries now remain, which are responsible for the distribution of all goods apart from 48 necessities still controlled by the central Gosplan. The closure of the central wholesale agencies was completed in 1958, with the exception of those for jewellery and timber.

[94] This is, however, a legal requirement so far as over-plan output of consumers' goods is concerned: such excess must be offered to the oblast council for local sale; and 50 per cent of over-plan output of building materials must be so offered (*Pravda*, 21 January 1959).

[95] For example, trading enterprises are forced to accept some less attractive goods as a condition for receiving some " deficit " goods also. Another source of industry's bargaining power is the frequent practice of advance payment for goods, so that attempts to return them involve refund of money already paid. (See *Der Handel*, No. 1, 1957).

[96] A Soviet writer describes the situation as follows: " The wholesale centres do not take sufficiently into consideration the interests of the retail trade, they do not defend it vis-à-vis industry and in case of conflict either run away or take the side of industry. In the conclusion of contracts they try to narrow their responsibility and shift the burden on to the retailer . . . they still, with few exceptions, refuse to take back faulty products and they deliver goods not contracted for. . . . In practice, retail enterprises cannot refuse the receipt of goods for which there is no demand. It happens that because of a change in demand or bad planning a product becomes redundant. With the present system it gets stuck, becomes obsolete and loses its value. . . . " (*Sovetskaya Torgovlya*, No. 8, 1957).

[97] See *Kommunist*, No. 9, 1955. In Poland it is usual for delivery contracts to include a clause in which the trade enterprise gives up its right to claim damages (*Handel Wewnetrzny*, No. 1, 1958).

The approach to the reform of the trading system itself varies somewhat from one country to another, with the Czechoslovak authorities vesting more powers in regional associations of wholesale and retail enterprises, while in Poland — and to a lesser extent in Hungary — more attention is devoted to strengthening the individual retail enterprise. In most countries this is assumed to imply, first of all, an increase in trade margins, which have generally been so small (between 2 and 4 per cent of turnover both in wholesale and in retail trade) that most trading enterprises were perpetually in deficit.[100] It is often argued that to raise margins to a level which gives the reasonably efficient enterprise the possibility of making a profit will create an atmosphere in which managements will take more interest in cost reduction and in which incentives for efficiency on the part of workers — for example, through participation in profit — can be put into force.

In Poland, therefore, aggregate retail trade margins were raised by 3.7 billion zlotys (or by some 2 per cent of total turnover) in 1958 to allow for increases in depreciation allowances (from 2 to 6 per cent), to provide a margin for unexpected losses or for seasonal price reductions and, generally, to permit distribution costs to be more nearly covered than before.[101] In addition, enterprise funds — for distribution as supplements to basic wages and for expenditure on housing and other social purposes — were introduced on more or less the same lines as in industry.[102]

The obvious weakness of such incentive schemes in present conditions lies, first, in the difficulty of so defining costs and profits as to avoid encouraging under-staffing or neglect of maintenance of buildings and equipment and, secondly, in identifying that part of profit which is due to the efforts of the personnel of the enterprise, and for which they should be rewarded. Moreover, a chase for profits by the retail enterprise may not always benefit the consumer. With ex-factory prices and distributors' margins administratively fixed on a basis which normally aims at a fairly constant percentage ratio of profit to turnover for the average enterprise, the long-standing preference of industry to produce, and trade to distribute, highly priced goods has not been greatly modified by the introduction of the new incentive systems. In the past this was the easiest way to fulfil gross output (or turnover) plans: now it is still the easiest way to fulfil turnover plans and also to make high profits, up to the point where the market for such goods is saturated.[103] However, one of the objects of the reform has, by and large, been achieved — to counter the tendency of the producing enterprises to use expensive materials and otherwise inflate costs as an easy way of attaining gross output targets.

Greater flexibility in adjusting both producers' and retailers' prices — including such elements in the final " price " as hire-purchase facilities — could contribute to a quicker reflection in profits of special efforts to meet consumers' desires.[104] Some devolution of price-fixing powers — especially over locally-produced goods and articles made from waste products — has occurred in a number of countries; but, in general, price competition among enterprises still seems to be far removed from the present intentions of the authorities in all countries of the region.[105] Other attempts to achieve the desired ends are, however, being made. For example, so-called "price-assortment minima" have been introduced into the plans of trading enterprises in Czechoslovakia with the intention of forcing them to carry low-priced goods, and it is apparently intended also to set up special shops to sell the cheaper qualities of products.[106] In eastern Germany, and to some extent in Hungary and Poland, private trade performs the function of distributing goods on which the retail margins are too small to be interesting to state shops — not so much by accepting the small margins as by selling similar products produced by private handicrafts on terms which give a satisfactory return to both the producer and the distributor.

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[98] The anomalies of distribution in the new circumstances are illustrated by the example of a retail enterprise in Krakow (southern Poland) which, having easy access to a wine supplier, obtained excessive quantities of wine and then exchanged it for tinned fish with a retail shop at the seaside. (*Zycie Gospodarcze*, No. 19, 1958). Similar cases have been quoted in Rumania (see I. Ionescu, op. cit., p. 73).

[99] See M. Lifits, *Voprosy Ekonomiki*, No. 4, 1958.

[100] The retail price is composed of the ex-factory price *plus* turnover tax or minus subsidy (imposed at the factory or wholesale level) plus wholesale and retail margins. The trade margins are normally fixed as a percentage of the retail price, varying from product to product. There is no reason why the trade margins should not be changed without any change in final prices, individual income flows or aggregate retained funds of enterprises by making counter-vailing changes in the turnover taxes or subsidies.

[101] *Zycie Gospodarcze*, No. 3, 1958.

[102] Changes in profits from one year to another are taken into consideration. The allocation to the enterprise fund — always expressed as a ratio of the wage fund — in the 1957 scheme was considered to vary too slowly with the improvement in profit, and the more refined 1958 scheme provided for a steeper progression up to the point where profits were doubled (at which the equivalent of 10 per cent of the wage fund could be so allocated) but little increase afterwards (*Zycie Gospodarcze*, No. 19, 1958). As in industrial enterprises, a maximum equivalent to one month's average earnings can be distributed to each individual worker in one year and the spending of a high proportion of the fund on housing is encouraged.

[103] As the Minister of Internal Trade of Czechoslovakia recently pointed out, the practice of fixing retail margins at flat percentage rates for very large groups of goods also encouraged trade enterprises to concentrate so far as possible on the highest-priced items within each group (*Rudé Právo*, 27 November 1958).

[104] A recent decree of the Polish Council of Ministers encourages the Ministry of Trade to carry out experiments in differentiation of trade margins in textile and footwear shops (*Trybuna Ludu*, 22 October 1958), but the exact object of such experiments is not yet clear.

So long as profit cannot be considered the sole criterion of success of the trading enterprise, the significance of the turnover plan cannot be seriously diminished,[107] and any attempt to introduce individual incentives inevitably links the wages of trade personnel with the degree of plan fulfilment. By analogy with the wages system in industry, the prevailing method of remuneration in trade is based on the principle of individual " norms " of turnover, the over-fulfilment of norms being rewarded progressively. This approach clearly tends to discourage the recruitment of additional staff even where they are manifestly too few to give good service to their customers.[108] One suggested remedy is to allocate to every worker a certain percentage of over-all turnover (independently of the number of workers) since then the whole personnel becomes interested only in maximizing turnover, and does not oppose additional recruitment. This system was introduced in Poland in 1958, but its advantages and disadvantages clearly have to be considered in the light both of its effect on distribution costs and of the employment situation. In eastern Germany, where labour is scarce and shops not seriously understaffed, the system introduced at the end of 1956 replaced the fulfilment of individual turnover plans, as the basis for premia, by individual commissions on the volume of sales at rates varying from one branch to another.[109]

But while systems of individual incentives tailored to local conditions may increase the efficiency of distribution and the comfort of the customer, they can play only a small part in speeding up the response of production to changes in consumers' demand. The disappearance of a general sellers' market can itself make a significant contribution. But for actual or anticipated changes in consumers' demand to produce a quick reaction from producers, two other conditions need to be satisfied. The first is the creation of a more flexible output structure in which, while the production of standard types of goods in long series may remain profitable in the field of materials and semi-manufactures, the virtues of flexibility in response to trade orders are recognized at the finishing stages.[110] The second necessity is to find some means of quickly identifying changes in demand patterns and translating them into changes in the incentives offered to trading and producing enterprises. Production plans have, in general, been made somewhat more flexible by giving to enterprises greater freedom than before to decide, and adjust, their assortment plans. But inflexible pricing systems still limit both the ease with which short-time equilibrium in the consumers' market can be maintained and the speed of adjustment of traders' and producers' incentives. Despite the widespread concern everywhere expressed for the adjustment of production in the consumers' goods field to consumers' desires (rather than vice versa), and the modifications of the formerly over-centralized systems of economic planning and organization that have been made, the essential conflict remains between the two aims of certainty of full employment of resources and flexibility in their use.

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[105] In the Soviet Union, the disadvantages of the former system of centralized price fixing for about 95 per cent of all goods produced included even delays in starting output of a new product while ministries considered the appropriate price. To deal with these and other disadvantages, price fixing powers for goods representing 45 per cent of total retail turnover were devolved in 1957 to the republican authorities, who have, in turn, handed on some of their powers to regional authorities or associations of producers. Examples both of price competition and of exploitation of monopoly positions by the republican or regional authorities have now appeared and cases of widely varying retail prices for the same article exist. This appears to be regarded as undesirable, though it might well have been foreseen that the devolution of authority over price-fixing and inter-regional trade to the regional authorities would have such a result. Having been given, within limits, the power to behave like rather autarkic national states and — through the arrangements for determining their revenues — the incentive to do so, they are now using these powers (L. Skvortsov, " Some questions of planning consumer-goods prices ", *Voprosy Ekonomiki*, No. 1, 1958).

[106] See *Rudé Právo*, 27 November 1958.

[107] This means that many shortcomings are there to stay. For example, shops are afraid of a boosting of plans in later years and are, in general, no more tempted to exceed their turnover plans substantially than industrial producers were to exceed output plans in the past. In chain-store systems special problems arise, since a considerable over-fulfilment of plans in one shop coinciding with under-fulfilment in others upsets wage discipline. It happens, therefore, that some shops are slowing down their sales at the end of the month to avoid such disparities (*Zycie Gospodarcze*, No. 17, 1958).

[108] In Poland, the trade employment plan for 1957 envisaged recruitment of 32,000 workers, but only 16,000 were engaged in spite of an abundant supply of labour connected with the reductions in administration (*Handel Wewnetrzny*, No. 1, 1958).

[109] *Der Handel*, No. 12, 1956.

[110] See *Népszabadság*, 17 September 1958. An article in *Zycie Gospodarcze*, No. 39, 1958, states that " With us shops are full of ready-made clothes and there is a chronic shortage of materials. All over the world the situation is the opposite ", and concludes that only an abundance of materials can make feasible a swift reaction of producers to the changing tastes of consumers without great losses of production.

CHAPTER V

CONSUMPTION TRENDS IN WESTERN EUROPE

Over the last century, the way in which people in western Europe have earned and spent their incomes has changed considerably, particularly in the industrialized countries. As a result of the industrial revolution, urbanization and the growth of modern science and technology, many goods and services, formerly produced not at all or only on a small scale for a select few, are now accessible to most. Real income has been rising continuously; and now that the incidence of poverty and want, massive afflictions in the earlier centuries, has been reduced to small proportions in the advanced countries of western Europe, a far greater part of aggregate income than before can be devoted to the consumption of goods and services that are part and parcel of relatively high individual standards of living.

The basic direction of this change in consumption patterns is well known. Food products, which must have loomed very large in total output and expenditure in the distant past, have lost ground to the new goods and services. Much of this change had already taken place in the more industrialized countries of Europe by the early part of this century, and since then it has spread to some others, though the established pattern of consumption was seriously upset during the Second World War and the early post-war years of scarcities, rationing and other controls, and inflation.

Since the end of the reconstruction period — about 1950 — the western European economies have experienced a sustained growth during which the annual increase in per capita income in a number of countries has been higher than in the troubled inter-war period. Whether this growth has led to a pattern of consumption which is broadly a continuation of past trends or to a clear change in these trends, how the increment of income over the last eight or nine years — or since before the war — has been allocated between consumption and other uses and between different kinds of private consumption are questions of great interest, as are the questions which kinds of goods have been subject to the greatest increases in consumer demand and whether there has been any regularity in the observed changes. The answers, however tentative, can not only help to explain the past behaviour of the economies of western Europe, but can also provide a background against which may be viewed prospective developments in countries where governments and others are now occupied with plans, policies and forecasts for the future.

In recent years, the answers to some of these questions, particularly those relating to food consumption, have been sought in a number of countries with the help of family budget inquiries, while national accounts data have generally been used to analyse short-term developments only. Family budget inquiries indicate the consumption behaviour of various income groups at a point of time, but their findings have often been used to infer that as the income of one group rises in time to the level of the next, its consumption pattern will be similar to the present consumption pattern of the second group. Comparisons of the results in one country with similar inquiries in others with different levels of real income have been regarded as confirmation of this view. However, the gaps between the average incomes of each of the groups selected for these surveys (usually limited in any case to working class incomes) were often large enough to require a decade or two for an economy growing at 2 to 3 per cent a year to raise the average income level of each group to that of the next highest, and in such a long period many elements in an economy can be expected to change. New goods and services become available, and price relatives change. There may also be important changes in, for example, the degree of urbanization, the employment of women and the distribution of personal incomes. The *ceteris paribus* assumption implicit in most deductions — about changes in consumption patterns as incomes rise — which have been based on family budget studies is thus not easy to reconcile with actual growth over time, when other things rarely, if ever, remain equal.

Now that national accounts are available for several years in a number of countries, it is possible to examine changes in consumption patterns over time, and thus to provide a check on the conclusions often drawn from family budget inquiries. The limitations of national accounts data themselves, which are now so generally and so confidently used, should not be overlooked. Although much has been achieved in the way of standardization of definitions and concepts, the reliability of data is not uniform for all countries, nor even for all series within a country. In many cases, moreover, far greater reliability can be placed on the major aggregates of national accounts than on detailed estimates of the various components of these aggregates. Estimates of such detail require a firm basis derived from other statistical series in quantity or value terms, and these series are often incomplete or inadequate.[1] Estimates at constant prices are naturally less firm than those at current prices, because of the complication involved in the choice of the base year and the process of deflation, particularly when a long span of time is involved. But with all these limitations national accounts remain the only comprehensive indicators of changes in a dynamic economy.

The development of consumption in a number of countries in relation to other elements in aggregate final demand is reviewed in the first section of this chapter; the next two sections are devoted to an analysis of changes in the main sectors of consumers' expenditure: food, clothing, shelter, durable goods, drink and tobacco, and other miscellaneous items, including public expenditure on social welfare. The general picture thus derived, and its relevance for an assessment of probable future trends, are reviewed in the concluding section.

1. PRIVATE CONSUMPTION AND RELATED AGGREGATES

Private Consumption and Gross National Product

The volume of per capita gross national product in western Europe as a whole is now nearly one-third above the pre-war level. This may not appear such a very impressive rate of expansion when compared with past periods of sustained growth in a number of countries, but during nearly six of these years there was a major world war and another four years were spent in healing wartime wounds.

As can be seen from Table 1, rates of growth in individual countries have varied very widely. Broadly speaking, the expansion was much faster in the industrialized countries of north and north-western Europe than in the less developed countries of the south and in Ireland; per capita gross national product rose by over two-fifths in the former group and by approximately one-quarter in the latter.

Despite the wartime destruction and a somewhat later start of post-war recovery, the expansion of output was very rapid in western Germany and Austria, and by 1957 real product per head was two-thirds or more above the pre-war level. In five other industrialized countries, Sweden, Switzerland, France, Norway and Belgium, it was over 40 per cent higher; but in the United Kingdom and Denmark it was only about one-quarter higher. On the other hand, the growth of per capita output in the less developed countries, with the exception of Portugal, was much slower. In Greece recovery was delayed by internal strife, and by 1957 gross national product was only 7 per cent above the pre-war per capita level.

The factors underlying such widely divergent rates of growth are complex. In the very early post-war years the quick conversion of plant to peace-time use and the existence of reserves of labour in some countries were important factors speeding recovery; but with these possibilities fully exploited in most countries by 1950, further advance was by and large dependent on new investment for the deepening, as well as for the widening, of the capital stock.[2] High rates of growth of output have thus usually been associated with high levels, as well as with faster than average rates of growth, of investment; and the income created by the larger rises in investment appears to have been sufficient in such cases to assure a relatively greater rise in consumption also than elsewhere. These correlations underline the importance of the dynamic functional relationship between income and investment: if a sufficiently high level of investment is achieved, absolute levels of consumption can also be significantly raised over a fairly short period of time, though some sacrifice by consumers may well be required in the early years.

At the start of the post-war recovery, however, very pressing consumers' needs had to be met from a limited output, and private consumption everywhere accounted for a much larger share of national output than in pre-war years. But by 1949-1950, with domestic resources supplemented by foreign aid, the backlog of urgent consumption demand had been satisfied in most countries. It was then both possible and necessary to step up the rate of investment in order to complete post-war reconstruction in some countries and to expand the stock of productive equipment in the others. Since 1950, gross fixed investment has in fact risen most in volume in nearly all countries, and the share of fixed investment in national product

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[1] The Conference of European Statisticians has recently set up a Working Group on Statistics of Private Consumption Expenditure. This group will consider concepts, definitions, classifications and methods of collection of statistics of private consumption expenditure, including the question of the relationships between annual and both longer-term and shorter-term statistics in this field. (See also footnote 60 in Chapter VI.)

[2] Though as has been noted elsewhere (see Chapters II and III above) a rapidly rising labour supply has been an important factor in the continuing expansion in western Germany and the Netherlands.

TABLE 1

Gross national product and resource allocation, 1938 to 1957

Country [a]	Gross national product	Private consumption	Public consumption	Gross fixed capital formation	Gross national product	Private consumption	Public consumption	Gross fixed capital formation	Percentage share of private consumption in gross national product (current prices)			
	Percentage increases in per capita volume											
	1938 to 1957				1950 to 1957				1938	1948	1950	1957
Austria [b]	82	53	78	262	55	40	35	68	76	76	73	62
Western Germany [b]	65	67	6	106	60	59	27	72	60	..	64	59
France	53	38	74	142	27	32	35	39	76	75	69	68
Sweden [b]	51	40	..	..	19	12	34	27	70	69	67	60
Belgium	49	..	..	..	15 [c]	12 [c]	−1 [c]	28 [c]	..	76	76	70
Switzerland	43 [d]	..	..	..	27 [e]	..	..	..	..	..	..	65
Portugal	43	42	44	55	17	10	28	45	..	..	80	79
Norway	42	37	55	66	20	15	14	24	70	64	67	58
Finland	39	..	..	..	23	23	30	42	..	65	64	61
Italy	38	36	−5	81	42	31	52	75	67	72	72	67
Netherlands	36	..	..	..	21	14	20	47	74	69	64	59 [f]
Denmark	29	11	63	63	10	5	26	9	77	72	72	67
Ireland	27	22	26	29	13	3	11	−3	78	82	82	74
Luxembourg	27 [d]	..	..	..	4 [e]	30 [e]	18 [e]	6 [e]	..	..	61	58 [f]
Turkey	26	..	..	..	24	..	..	..	..	80	77	75
United Kingdom	25	9	44	36	17	11	16	42	76	72	71	65
Greece	7	..	..	..	55	41	29	23	76	91	84	75

Sources: *General Statistics, OEEC Statistical Bulletins*, July 1958 and January 1959, and national statistics.

[a] In descending order of increase in per capita gross national product between 1938 and 1957.

[b] Pre-war year is 1937 for Austria, 1936 for western Germany, and 1938/39 for Sweden.

[c] 1952 to 1957. [d] 1938 to 1956. [e] 1950 to 1956. [f] 1956.

has thus risen while that of private consumption has fallen.

In the immediate pre-war years, the share of private consumption amounted to between 70 and 75 per cent of national product in most western European countries. The only exceptions were western Germany and Italy, where military demands pressed heavily upon consumption levels. In the post-war years, therefore, the rapid expansion of fixed investment in these countries could be matched by a reduction in the share of public consumption (mainly military expenditure) below pre-war levels rather than by a fall in the pre-war share of private consumption. By 1957, the proportion of total output absorbed by private consumption had fallen to between 60 and 65 per cent in most of the industrialized countries, and the share of domestic fixed investment had risen from about one-sixth in the pre-war and early post-war period to over one-fifth.

In contrast, the share of private consumption in the southern European countries and in Ireland, at 75 per cent of the gross national product in 1957, was hardly changed since before the war, suggesting that changes in investment and public consumption tended to cancel out. Domestic fixed capital formation now absorbs about one-seventh of the gross national product in the less developed countries.

Now that domestic fixed investment has reached as high a proportion in the industrialized countries as in periods of peak activity in the past, any protracted further increase in its share of national product seems less likely; and a stabilization of the present shares of private consumption and of fixed investment would imply that any given increase in national product would lead from now on to a greater percentage rise in consumption than in the last decade. To put it another way, consumption demand now seems likely to be a more important determinant of economic growth than in the past.

The position in the less developed countries of western Europe is of course different, in that the level of productive investment there is still low and the rapid growth of their economies in the future depends on a further increase in the share of investment. To the extent that this happens, private consumption will rise more slowly than total output and its share of output will fall.

TABLE 2

Factors influencing the share of private consumption in national product 1950 and 1956

Country	Gross national product at factor cost as percentage of gross national product at market prices		Direct taxes as percentage of personal income		Corporate saving (before tax) as percentage of national income		Personal disposable income as percentage of gross national product at market prices		Private consumption as percentage of personal disposable income	
	1950	1956	1950	1956	1950	1956	1950	1956	1950	1956
Austria	91	88	19	19	7	4	71	72	103	89
Belgium	91	92	13	13 [a]	4	6	79	77 [a]	96	91 [a]
Denmark	91	89	11	13 [b]	3	3 [b]	80	75 [b]	91	92 [b]
Finland	86	89	..	..	8	7	..	..	..	..
France	86	85	14	15	4	5	72	73	98	95
Western Germany	87	86	17 [c]	18 [c]	..	..	72 [c]	69 [c d]	89 [c]	83 [c d]
Greece	90	89	4 [c]	6 [c]	..	..	86 [c]	82 [c]	97 [c]	93 [c]
Ireland	89	86	5	5	7	6	83	81	99	95
Luxembourg	91	92	18 [e]	19	4	8	60 [e]	66	88	87
Netherlands	89	90	17	19	..	..	69	69	92	86
Norway	96	91	..	..	..	..	..	..	..	..
Sweden	93	92	16 [f]	19	..	..	70	70	96	89
Switzerland	95	95	..	..	6	9	..	..	..	..
United Kingdom	88	88	14	13	12	10	70	71	101	92

Sources: *Yearbook of National Accounts Statistics, 1957* and *Statistics of National Income and Expenditure*, United Nations; *General Statistics, OEEC Statistical Bulletins*, January and July 1958.

[a] 1953. [b] 1954.
[c] Personal income includes corporate saving.
[d] 1955. [e] 1952. [f] 1951.

The Growth of Personal Savings

The decline in the share of private consumption noted above can also be viewed in relation to personal income and to changes both in the burden of indirect and direct taxation and in corporate and personal savings. In general, available data do not permit an assessment of the separate impacts of net indirect taxation on private consumption and on other elements of final demand. However, from the relationship between gross national product at factor cost and at market prices illustrated in Table 2, it is clear that in the post-war period the net burden of indirect taxation has somewhat increased in most countries. The increase is modest and seems to reflect sharp rises in purchases of the more heavily taxed goods and reductions in subsidies rather than big increases in indirect taxes.

Between 1950 and 1956, the share of direct taxes in personal income rose in all countries other than the United Kingdom, where it fell slightly, and Austria, Belgium and Ireland, where it remained almost constant. Broadly speaking, it seems that higher indirect and direct tax burdens were associated with increases in the share of public expenditure, first for defence, in the years following the Korean war, and then for other purposes (including transfers).

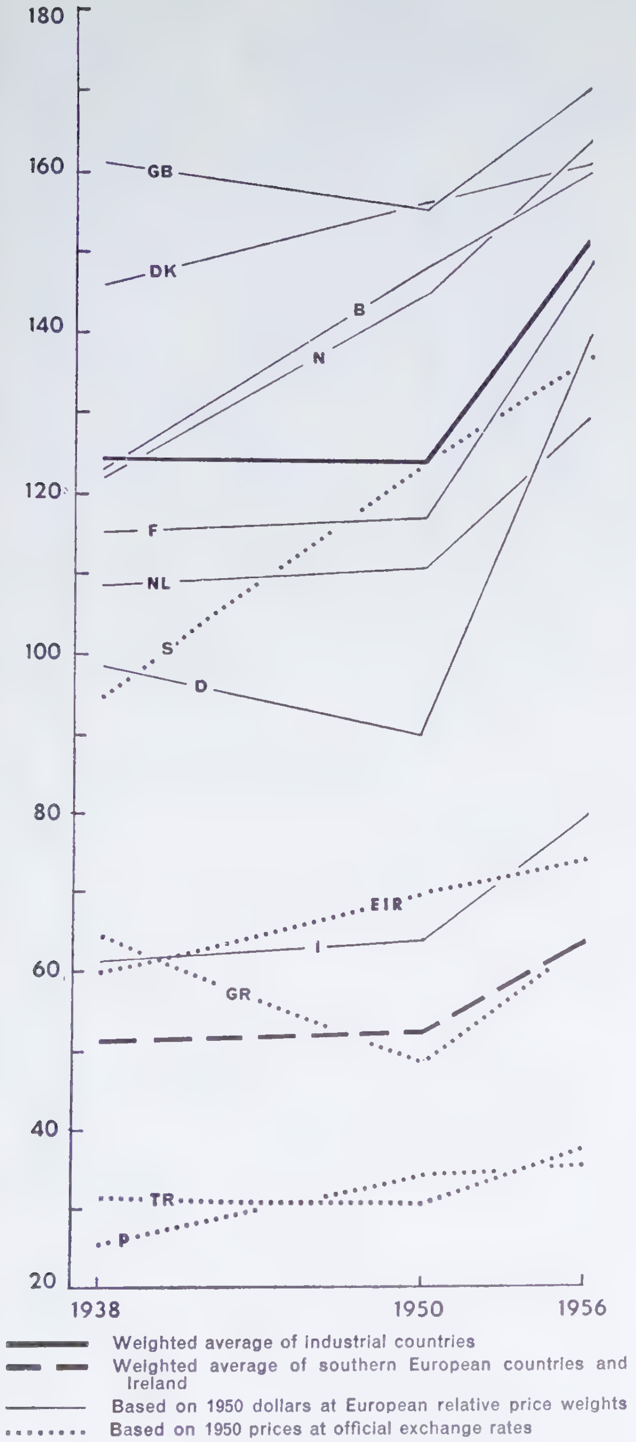
The proportion of corporate saving (before tax) in national income fell in Austria, Finland, Ireland and the United Kingdom, tending to raise personal disposable income and consumers' purchasing power, and thus to offset some of the effects of the higher tax burden. In Belgium, France, Luxembourg and Switzerland there was a rise in the share of undistributed profits in national income. The changes in taxation and in corporate saving would thus seem to have exercised only a limited influence in bringing about a fall in the share of private consumption, and in many instances cancelled each other out.

The most important factor accounting for the marked decline in the share of private consumption seems to have been increased personal saving, which is roughly indicated by the ratio of personal consumption to personal disposable income shown in Table 2. In all countries for which data are available, this ratio fell by almost as much as did the share of consumption in gross national product. The increase in personal savings would thus seem to have made an important contribution towards financing the very sharp expansion of investment between 1950 and 1956.

CHART 1

Per capita private consumption, 1938, 1950 and 1956

(Average per capita value of private consumption in 1950 in countries shown = 100)



B — Belgium
D — Western Germany
DK — Denmark
EIR — Ireland
F — France
GB — United Kingdom
GR — Greece
I — Italy
N — Norway
NL — Netherlands
P — Portugal
S — Sweden
TR — Turkey

Sources and methods: See Appendix B.

Changes in per capita Private Consumption

The differences in the levels of private consumption among the industrialized countries in western Europe in 1938 were wide indeed. Per capita private consumption in the two richest of the eight advanced countries — the United Kingdom and Denmark — was more than one and a half times as high as in the Netherlands and in western Germany at the other extreme. As a result of marked differences in subsequent rates of growth of output, however, the margin between the highest and lowest income levels within this group has narrowed to less than one-fifth.

As has been mentioned, real income has grown much more slowly in the less developed countries of southern Europe, other than Portugal, and in Ireland; but there was no marked change in the share of capital formation and public consumption in total output, so that private consumption rose in line with real product. For the group of such countries shown in Chart 1 it has risen since before the war by over one-fifth. The increase would, of course, be considerably smaller if northern Italy were excluded and if allowance could be made for the modest rise in Spain.[3] Consequently, the gap between consumption levels in the industrialized and the less developed areas in Europe widened during this period both absolutely and relatively. This too can be seen from Chart 1, where the trend of real per capita private consumption since 1938 is shown at European relative price weights for eight countries,[4] and at 1950 exchange rates for others. The latter group, and in particular Sweden, would undoubtedly be higher up on the chart if their national products were calculated on the same basis as those of the eight, but the trends over time would hardly alter.

Thus, in respect to consumption, the tendencies in western Europe were not dissimilar from those prevailing in the rest of the world, despite the somewhat closer economic ties within the area. As a result of the economic growth of the last few decades, poverty and inequality within the industrial countries no longer excite men's minds as they did before. Instead there is a gradually increasing awareness of the very wide gap between living standards in those countries and in the less developed areas of the world,

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[3] According to Svimez (*Notizie Sull' Economia del Mezzogiorno*, Rome, 1956, p. 29) per capita income increased by one-third between 1938 and 1954 in northern Italy and by about 7 per cent in southern Italy. The expansion in per capita output in Spain in recent years amounted to no more than one-eighth as compared with the 1931-1935 levels. See Higinio Paris Equilaz, *Factores del Desarrollo Económico Español*, Madrid, 1957, p. 448.

[4] Belgium, Denmark, France, western Germany, Italy, the Netherlands, Norway, the United Kingdom. *Source:* Milton Gilbert and Associates, *Comparative National Products and Price Levels*, OEEC, Paris, 1958.

TABLE 3

The pattern of private consumption in western Europe and the United States in 1956

Percentages of total consumers' expenditure in current prices

Country [a]	Food	Clothing	Shelter			Total of food, clothing and shelter	Alcoholic drinks and tobacco	Durable goods	Other [b]
			Total	Rent	Fuel, light and household operation				
Denmark	28	12	14	6	8*	55	8*	11	26
Belgium [c]	30	10	22	14	8	62	9 [d]	9	21
Sweden	31	13	17	9	8	61	8	9	22
Norway	32	16	16	7	8	63	7 [d]	9	20
Western Germany [e]	32	15	12 [f]	7	4 [f]	59	16 [g]	. .	26
United Kingdom	33	10	17	8	8	60	14	8	18
Luxembourg	35	13	12	9	3	61	9	10	20
France	37	13	12	4	7	62	8	7	23
Austria	37	13	9 [f]	5	4 [f]	60	12 [d]	13	15
Netherlands	37	17	12 [f]	6	6 [f]	67	6	8	19
Ireland	38	12	14	4	9	63	17	. .	20
Finland	38	18	13	7	6	69	8 [d]	. .	23
Italy	46	11	9	3	6	66	11	3	20
Portugal	50	. .	. .	7	. .	. .	. .	. .	43
Yugoslavia	50	18	7	1	6	75	10	4	11
Greece	58	13	. .	6	. .	. .	. .	2	21
United States	26	9	20	12	8	55	6	10	29

Sources: *General Statistics*, *OEEC Statistical Bulletins*, July 1958 and January 1959; United Nations, *Yearbook of National Accounts Statistics, 1957*, and *Statistics of National Income and Expenditure*, January 1957; and national statistics.

[a] In ascending order of the proportion of food expenditure.

[b] Including items for which separate information is not available.

[c] 1954.

[d] Including soft drinks.

[e] 1955.

[f] Excluding household operation.

[g] Including all non-alcoholic beverages.

and growing concern over how to remedy this situation. Against this background, the widening of the gap even within Europe is a matter for reflection.

The Pattern of Private Consumption

As can be seen from Table 3, the present structure of private consumption expenditure in western Europe is broadly as follows; the share of food — and slightly less clearly that of drink and tobacco — is generally high in the less developed countries and lower in the richer ones; the share of durable goods and miscellaneous items of expenditure behaves in the opposite way. The share of clothing in total consumption follows no clear pattern, whereas expenditure for shelter (rent, fuel, light, household operation, etc.) usually behaves in the same way as for durable goods, though differences in rent control policies and climatic conditions distort the general picture.

While the proportion of consumption expenditure devoted to food differs significantly from country to country, it is remarkable that in the industrial countries of western Europe the share of combined expenditure for the " basic " human needs — food (excluding drink and tobacco), clothing and shelter — works out fairly uniformly at between 60 and 65 per cent of total private consumption. In this respect, differences in levels of real per capita incomes appear to exert but little influence. This is largely because a declining share of expenditure on food is usually associated with a rising share of expenditure for shelter. In the less industrialized countries, on the other hand, the expenditure for these " basic " needs absorbs some 70 to 80 per cent of the total. With drink and tobacco accounting for another 10 per cent or more, it is obvious that not much room is left in these countries for expenditure on consumers' durable goods and miscellaneous items.

2. TRENDS IN EXPENDITURE ON FOOD, CLOTHING AND SHELTER

The Share of Food in Private Consumption

In the post-war years, expenditure on food (excluding alcoholic drink and tobacco)[5] has accounted for about 30 per cent of total private consumption in Belgium, Denmark, Norway, Sweden and the United Kingdom and for a somewhat higher share in the other industrial countries of western Europe. In the southern countries it has ranged from over 45 per cent in Italy and 50 per cent in Portugal and Yugoslavia to nearly 60 per cent in Greece (see Tables 3 and 4). The share has tended to rise during these years in Ireland, Norway, and the United Kingdom and to fall in Austria, Denmark, France, western Germany, Greece and Italy, with little or no change in Belgium, Sweden and the Netherlands. In general, these movements were associated with similar changes in the relative price of food.

It is striking that in very nearly all countries for which pre-war data are available, the share in post-war years was the same as or higher than, in the pre-war period. This is perhaps less surprising in countries which had only a modest expansion in per capita consumption, such as Denmark, Ireland and the United Kingdom; but even in Austria, western Germany, Italy, the Netherlands, Norway, and Sweden, where private consumption has risen by as much as one-half or more since before the war, the share devoted to food has either remained at pre-war levels or risen.

This virtual stability of food expenditure in relation to total private consumption seems in fact to be a rather long-term phenomenon, as can be seen from Chart 2, where the development over three to four decades is shown for Denmark, the Netherlands, Sweden and the United Kingdom, and over eight to nine decades for Italy and the United States. Since the 'twenties private consumption has grown at different rates from country to country, but had everywhere risen by two-thirds or more in volume by 1956. Very violent movements had taken place in relative prices during this period, which was successively one of marked economic expansion (the 'twenties), the world depression (the 'thirties), a major

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[5] See the end of Section 3 for a discussion of the demand for drink and tobacco.

TABLE 4

Expenditure on food and its share in private consumption

Country [a]	Food expenditure as percentage of private consumption (Annual averages at current prices)				Per capita volume of:		Relative price of food [c]	Elasticities of per capita expenditure for food [d] 1950 to 1957	
					private consumption	food expenditure			
	1938 [b]	1950-1952	1953-1955	1956-1957	Percentage change 1950 to 1957			Current prices	Constant prices
Denmark	26	29	28	28 [e]	3 [e]	1 [e]	−2 [e]	0.9 [e]	0.4 [e]
Belgium	. .	30 [f]	29	29	12 [f]	7 [f]	−3 [f]	0.6 [f]	0.6 [f]
Sweden	31	31	31	30	12	2	7	0.9	0.1
Norway	32	30	31	32	15	14	8	1.2	1.0
Western Germany	32	34	33	. .	47 [g]	31 [g]	7 [g]	0.9 [g]	0.7 [g]
United Kingdom	29	30	32	33	11	8	14	1.3	0.7
Luxembourg	. .	34	34	35	17 [h]	18 [h]	2 [h]	1.2 [h]	1.1 [h]
France	. .	40	38	36	32	23	−9	0.7	0.7
Netherlands	36	37	38	37 [e]	17 [e]	15 [e]	3 [e]	1.1 [e]	0.9 [e]
Austria	. .	40	39	37	40	42	−3	1.0	1.1
Ireland	35	36 [f]	37	37	6 [f]	10 [f]	1 [f]	1.2 [f]	1.6 [f]
Italy	45	48	47	46	30	24	−3	0.8	0.8
Greece	. .	60	58	58	38 [f]	34 [f]	2 [f]	1.0 [f]	0.9 [f]
United States	24	27	27	26 [e]	9 [e]	15 [e]	−4 [e]	1.1 [e]	1.6 [e]

Sources : General Statistics, OEEC Statistical Bulletins, July 1958 and January 1959, and *Statistics of National Product and Expenditure*, No. 2, OEEC ; national statistics.

[a] In ascending order of the share of food expenditure in private consumption in 1956-1957.

[b] Pre-war data are not always strictly comparable with those for post-war years.

[c] Ratio of the index number of food prices to that of consumer prices in general.

[d] Relates the per capita percentage increase in food consumption to that of total private consumption.

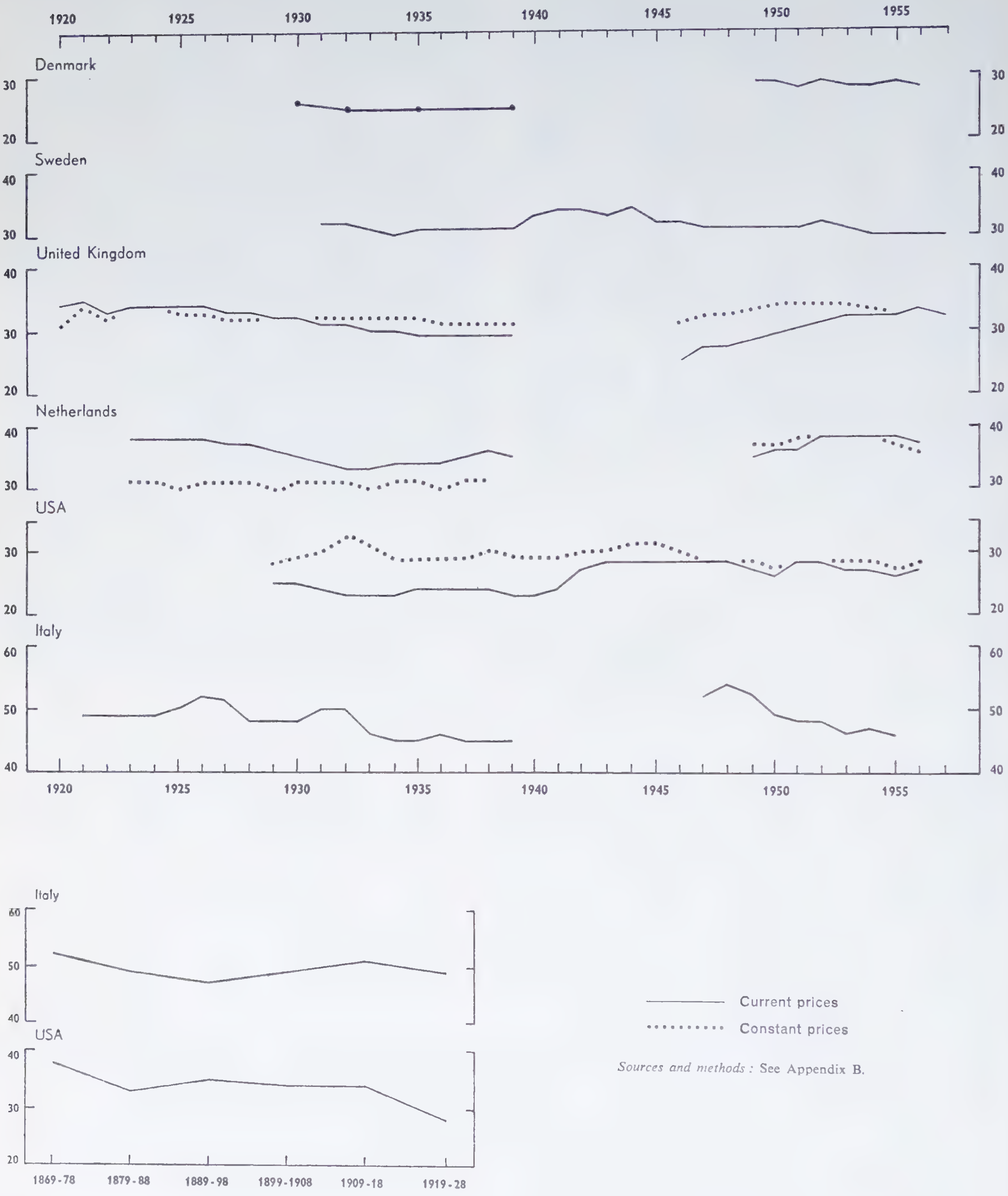
[e] 1956 or 1950 to 1956.

[f] 1952 or 1952 to 1957.

[g] 1950 to 1955. [h] 1952 to 1956.

CHART 2

Long-term trends in food expenditure (in percentages of total private consumption)



Sources and methods : See Appendix B.

war and then post-war reconstruction and prosperity. Yet, all these disturbances seem to have been no more than surface ripples in their impact on the share of consumers' expenditure devoted to food.

In the United Kingdom [6] and the Netherlands the share was lower during the depressed 'thirties than in succeeding years, and rose in the period of post-war prosperity to the level of the early 'twenties. In Sweden, the proportion spent on food has been virtually unchanged since the early 'thirties and in Denmark it has risen only slightly. In Italy it seems to have fluctuated around 50 per cent from the 1860s to the 1930s; thereafter it moved as in other countries until the later post-war years, when the share returned to the level current during the 'thirties. In the United States, the ratio of expenditure on food to the total fell steadily from 38 per cent after the Civil War to less than 30 per cent in the 'twenties, at which level it has since stayed, except during the 'thirties.

In terms of constant prices (where errors due to the statistical difficulties of deflating long-term series must, however, be allowed for), the share of food expenditure in the United Kingdom, the Netherlands and the United States shows even less variation. This suggests that changes in the relative price of food had little effect on real expenditure and merely caused small fluctuations in the curve for the ratio of food to total expenditure at current prices. The general decline in this ratio during the 'thirties would then be mainly a reflection of the lower relative price of food during the great depression, and the subsequent rise during the 'fifties can be regarded as a correction of this position.

Elasticities of Food Expenditure

From the long-term trends described above, it would seem that over the last few decades the elasticity of food expenditure at constant prices was near unity in the economically developed western European countries, and that a given percentage increment in total consumption was associated with a roughly equivalent rise in food expenditure. The experience of these countries seems surprising in view of the widespread belief that food absorbs a decreasing share of total expenditure as income rises, a belief first formulated by the German statistician Ernst Engel a hundred years ago and confirmed by the findings of various family budget inquiries for different income groups and in different countries at a point of time.[7] According to these studies expenditure elasticity [8] coefficients for food are lower than unity. The extreme values range from 0.8 in the poorest countries, such as India and Ceylon, to 0.4 in the highly developed industrial countries of western Europe and in the United States. A blind application of these elasticities derived from household surveys to changes over time would thus be very misleading.[9]

The striking divergence between the elasticities derived from family budget studies and from long-term trends can, however, be explained. In fact, the former measure the influence on food expenditures of only one factor, viz., a change in income, all other things being equal; but with rising incomes over time a number of other factors, which cannot always be statistically measured, exert an influence on the pattern of consumption. The influence of some of those factors, such as changes in the structure of food consumption and in relative prices of the main foods, is discussed below. The elasticity coefficients derived in the present study from national accounts data are related to the influence of all these factors taken together and therefore cannot be expected to duplicate the static cross-section income elasticities derived from family budget studies.

Several reasons for the stable share of food expenditures in total consumption may be briefly stated. First, there has been an increase in the proportion of women in the labour force, a fall in the number of domestic servants and a rise in the extent to which food is processed in the factory instead of at home. This has resulted in a statistical increase in national income to the extent that the formerly unpaid services of housewives are now performed through the market mechanism. Secondly, there has been a general decline in the farm population and its auto-consumption and a corresponding rise in the urban population, whose per capita consumption is usually higher in value if not always in quantity. Thirdly, better packing, servicing, distribution, marketing and advertising, and the widespread use of tinned and frozen foods, have added to the non-food content of food at the retail stage. It is now cleaner and more attractive, if not always tastier. Moreover, higher incomes, increased leisure, more working women and a smaller family size have led to more frequent eating out, longer holidays and increases in other consumption of food outside the home. Changes in the distribution

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[6] The pre-war data for the United Kingdom form part of a study now under preparation by Mr. W. Beckerman, to whom the Secretariat is indebted for permission to use his estimates. These estimates are based on original data prepared by Professor J. R. N. Stone and adjusted by Mr. Beckerman to fit post-war series.

[7] For a summary of the results, see "Factors influencing the Trend of Food Consumption" in *The State of Food and Agriculture 1957*, FAO, pp. 70-110.

[8] Income elasticities are slightly lower since both savings and taxation are usually a progressive function of income.

[9] If the actual expenditure elasticity over time were near this figure, the share of food expenditure in the United Kingdom and Sweden would have fallen from about 31 per cent in the early 'twenties and 'thirties to only 24-25 per cent in the post-war years; for the United States, it would have fallen from 28 per cent in 1929 to only 22 per cent in 1956.

TABLE 5

Quantities of food consumed and their expenditure elasticities

Based on per capita quantities and per capita values at constant prices

Country	Percentage increases from pre-war to 1956							Expenditure elasticities (pre-war to 1956) [a]				
			Physical quantity of food consumed									
	Population	Private consumption	Total food	Cereals and potatoes	Dairy products	Other animal products	Fruit and vegetables	Total food	Cereals and potatoes	Dairy products	Other animal products	Fruit and vegetables
Austria	3 [b]	47 [b]	3	−8	—	1	24	0.1	−0.2	—	—	0.5
Belgium	7	. .	15	−8	27	12	121	0.5*	−0.3*	0.9*	0.4*	4.0*
Denmark	19	10	−4	. .	−2	−17	37	−0.4	. .	−0.2	−1.6	3.5
France	6	31	12	−10	13	23	11	0.4	−0.3	0.4	0.8	0.3
Western Germany	30 [b]	62 [b]	−1	−15	−8	−4	18	—	−0.2	−0.1	−0.1	0.3
Greece	18	. .	10	—	14	−4	. .	1.5*	—*	2.1*	−0.6*	. .
Ireland [c]	−1	29	6	−3	34	−10	21	0.2	−0.1	1.2	−0.3	0.7
Italy	12	31	12	−7	38	8	58	0.4	−0.2	1.2	0.2	1.8
Netherlands	25	. .	4	−13	−1	—	9	0.4*	−1.3*	−0.2*	—*	0.9*
Norway	18	34	3	−18	5	−3	31	0.1	−0.5	0.2	−0.1	0.9
Sweden	16	40	5	−18	−6	7	59	0.1	−0.5	−0.2	0.2	1.5
United Kingdom	8	8	1	−7 [d]	8	−4	2	0.2	−1.0 [d]	1.1	−0.6	0.3
United States	29	57	8	−21	−4	26	−17	0.1	−0.4	−0.1	0.5	−0.3

Sources and methods: See Appendix B.

NOTE.—The principal food items have been aggregated using 1954 retail-price weights. The data should be treated as approximations only, since pre-war refers to 1938 for population and private consumption, and to 1934-38 for food consumption; 1956 data for food consumption refer to the agricultural year 1955/56.

[a] Relates the per capita percentage increase in the physical quantity consumed to that in the value (at constant prices) of private consumption.

[b] Pre-war: 1937 for Austria and 1936 for western Germany.

[c] Change from pre-war to 1955 or 1954/55.

[d] Cereals only.

of income in favour of the lower income groups also tend to keep up the over-all elasticity of food expenditure.

Since the service and other non-food content rises, all these factors, which family budget studies do not easily take into account, tend to raise food expenditure, even though the physical quantity of food consumed does not increase proportionately (see Table 5). For this reason, so long as there are grounds for considering that similar general factors will continue to be associated with economic growth in the more developed countries, elasticities derived from national accounts aggregates over time may give a better indication of expenditure patterns at current prices in the future than those derived from family budget studies.[10]

In practice, for the establishment of medium-range projections in a number of high-income countries, where the share of food expenditure in total consumption is already down to about 30 per cent, it seems reasonable to assume a more or less constant share of this order without attempting a sophisticated analysis of the factors at work. For the projection of demand for individual commodities, of course, it is necessary to take into account changes in the pattern of expenditure within the food category and in the consumption of specific commodities over time.

It is nonetheless reasonable to presume that at some time in the more distant past the share of food expenditure in the now economically developed countries must have been rather higher; and this would seem to be borne out by United States experience in the period before the 1920s and by the fact that the share of food expenditure in consumption in the less developed countries to-day is so much greater than it is elsewhere. The fall in this share in industrialized western Europe must therefore have taken place during a transition period, when the widespread appearance of new goods and services on the market and rising incomes provided a wider range to consumers and thus reduced the importance of food in total consumption. Once the transition was made and the share of food expenditure had fallen from one-half or more to one-third or less, the factors described above seem to have stabilized the share thereafter. On this assumption, the share of food expenditure in the less economically developed countries of western Europe, now nearly 50 per cent or even more of total consumption, can be expected to decline as development proceeds; and this seems to be reflected in the post-war experience of Greece and Italy (see Table 4 and Chart 2). In these countries, therefore, the elasticities of food expenditure over time should be lower than in the more developed ones, a conclusion contrary to the findings of family budget studies at a given point of time. The widely accepted belief that the proportion of expenditure spent on food over time falls with rising income would thus seem to apply only to a transition period in an economy. It is impossible to predict whether or not a second transition to a markedly lower share of food consumption in the total is to be expected at some future time as incomes rise beyond the levels yet reached in any country.

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[10] For a similar conclusion, see Ragnar Bentzel, " Consumption in Sweden: 1931-1965 ", *Skandinaviska Banken Quarterly Review*, January 1958, pp. 17-18, and *Den Private Konsumtionen i Sverige 1931-1965* (Stockholm, 1957), by the same author; and H. S. Houthakker, " An International Comparison of Household Expenditure Patterns, Commemorating the Centenary of Engels' Law " in *Econometrica*, Vol. 25, No. 4, p. 550.

The Pattern of Food Consumption and Relative Prices of the Principal Foods

The substantial differences in patterns of food consumption among the countries of western Europe are no doubt associated with differences in climate, in food production, and in national tastes, income levels and relative prices. As can be seen from Appendix Table I, the calorie intake per person in the more advanced countries is about one-sixth higher than in the Mediterranean countries. This is partly due to lower calorie requirements in the warmer Mediterranean climate, but partly also to lower real incomes. In the southern European countries other than Italy, rising real income has led to marked increases in calorie intake. In the developed countries, on the other hand, despite rising incomes, there has been no significant increase in per capita calorie intake since before the war; in some (Denmark, Sweden and the United States) there was actually a decline, probably resulting from some reduction in manual labour and in calorie needs.

Other changes in patterns of food consumption, however, were rather more important. In all western European countries fewer calories are now derived from cereals and potatoes and more from protective foods, such as dairy products, meat and eggs, fruit and vegetables, and from fats, sugar and syrup. This change was reflected in the differences in the expenditure elasticities for physical quantities of the principal foods. As can be seen from Table 5, the elasticities in different countries do not consistently correspond to differences in real per capita income; but the expenditure elasticies for physical quantities of starchy foods such as cereals and potatoes are nevertheless negative for the developed countries. Those for dairy products are considerably higher, and actually greater than unity in the Mediterranean countries. In the advanced countries, the greatest expansion of demands appears to have been for fruit and vegetable,[11] for which the elasticies are very high. The shift away from starchy foods was much more pronounced in the richer countries than in southern Europe,[12] so that per capita consumption of animal products in these countries is now some two to three times higher than in the Mediterranean area. On the other hand, the consumption of fruit and vegetables in the Mediterranean countries is from one and a half times to twice as high as in the more developed countries (except Switzerland) and about the same as in the United States (see Appendix Table I).

One of the most important reasons for some rise over pre-war in the share of food expenditure in private consumption is the rise in the price of meat relative to prices of cereals. As can be seen from Table 6, per capita consumption of cereals and potatoes declined in nearly all countries between the pre-war years and 1956/57, even though subsidies and other measures had led to a fall in their relative retail prices in most countries. For protective foods, however, both consumption and relative prices generally rose.

Retail prices of milk products were kept down by subsidies and controls, so that in the early post-war years their relative prices, like those of cereals, had fallen nearly everywhere. Control of meat prices was either not attempted or was much less effective and the relative price of meat rose sharply. These divergent price movements encouraged a very steep increase in consumption of milk products and an absolute fall in that of meat, which was also affected by supply limitations in the early post-war years. After 1950, consumption of milk products again rose in those countries where the relative price of milk fell and fell where the relative price rose; however, there was a further increase both in the quantities consumed and in the relative price of meat.

Notwithstanding the substitution between milk products and meat, consumption as well as the relative prices of animal products as a whole rose in relation to other foods. Where this was not so the net effect of opposite movements in consumption and price was still such as to increase total expenditure for this group. If animal products were to become relatively cheaper in the coming years, some decline in the share of consumers' expenditure devoted to food might occur, as happened in the 'thirties.

The coincidence of a fall in consumption of cereals and potatoes with a fall in their relative price and of a rise in consumption of animal products with a

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[11] The consumption figures for fruits and vegetables should be treated as approximations only in view of difficulties in estimation.

[12] Per capita consumption of cereals in Portugal in post-war years was in fact higher than in pre-war.

TABLE 6

Changes in per capita consumption and relative prices of selected foods

Country	Cereals and potatoes		Milk		Meat		Cereals and potatoes		Milk		Meat	
	Consumption	Relative price	Consumption [a]	Relative price	Consumption	Relative price	Consumption	Relative price	Consumption [a]	Relative price	Consumption	Relative price
	Percentage change between pre-war and 1956/57						Percentage change between 1950/51 and 1956/57					
Austria	−9	−19	−5	−32	−2	30	−8	2	4	3	29	—
Belgium	−11	−17	36	−1	31	−7	−4	−6	−4	18	37	10
Denmark	−5	6	−3	−9	−9	96	−8	−3	−13	6	15	8
Finland [b]	−14	−13	32	12	21	113	−16	−5	21	−21	17	2
France	−13	−11	41	−9	31	−6	−7	−4	34	−12	27	5
Western Germany	−16	20	1	5	−5	49	−8	23	12	9	38	9
Greece	−6	..	10	..	24	..	−5	..	48	..	51	..
Ireland	−8	−22	15	−19	−8	27	−3	−2	—	−16	4	12
Italy	−8	12	48	20	7	63	−2	−12	17	−10	31	—
Netherlands	−16	−5	5	−16	−1	37	−11	1	4	32	21	15
Norway	−16	−7	34	−21	−4	72	−12	10	−2	−10	2	30
Portugal	25	..	69	..	11	..	−3	−4	50	−11	18	7
Sweden	−18	−7	−16	1	8	59	−14	10	−16	20	1	41
Switzerland	−8	3	−9	−7	−2	25	−13	−7	−7	—	17	1
Turkey	5	..	1	..	−8	..	5	..	−3	..	−1	..
United Kingdom	−4	39	27	−19	4	39	−11	54	−5	9	40	54
Yugoslavia [c]	..	..	..	..	..	..	11	..	10	..	−2	..
United States	−25	19	18	−3	29	41	−9	2	4	—	26	−6

Sources: Consumption data: *Yearbook of Food and Agricultural Statistics*, FAO, Rome. Prices: *Yearbook of Labour Statistics*, ILO, Geneva, and national statistics.

[a] Liquid milk plus the milk equivalent of cheese.

[b] Pre-war to 1955/56 and 1950 to 1955/56.

[c] 1950/51 to 1953/54.

NOTE. — The figures for consumption refer to calorie intake based on the per capita quantities consumed. The change in relative price is measured by the relationship of the index number of the price of each product to that of the cost of living.

rise in their relative price would suggest that the influence of price changes has been small and that the shift away from cereals has been much more a function of rising real incomes and standards of living. To the extent that price changes resulted from factors other than agricultural policies, they were a reflection of this shift rather than the cause of it.

Demand for Clothing

As can be seen from the figures in Table 7, expenditure on clothing varies from one-tenth to one-sixth of total private consumption expenditure. There is no clear connexion between the share of expenditure on clothing and levels of real income in different countries. Thus, it is lowest (about 10 per cent) in the United Kingdom, Belgium and the United States and highest (13 to 17 per cent) in France, western Germany, Sweden, Norway and the Netherlands, with Greece, Italy, Ireland, Austria and Denmark lying between the extremes.

Since 1950, with the disappearance of post-war shortages and the fall in fibre prices in 1951, the share of total consumption expenditure devoted to clothing has gradually been declining, and the pre-war relationship has now been more or less restored. Elasticities of expenditure for clothing have been greater at constant than at current prices owing to the fall in the relative price of fibres. In all cases, clothing expenditure measured in constant prices has increased more (or fallen less [13]) than consumption of fibres in physical terms, suggesting that much of the increased spending is on better quality clothing and on an associated higher content of finishing, processing and distribution services. In fact, the volume of fibre consumption fell between 1950 and 1956 in all the advanced countries of western Europe except western Germany and Austria, where it was particularly low

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[13] The actual decline in the volume of clothing expenditure between 1950 and 1956 in some of the countries was in part due to the excessively high level of war-scare buying in 1950.

TABLE 7

Expenditure on clothing and its share in private consumption

Country[a]	Clothing expenditure as percentage of total private consumption (Annual averages at current prices)				Per capita private consumption	Per capita clothing expenditure	Per capita fibre consumption[c]	Relative price of clothing[d]	Elasticities of per capita expenditure for clothing[e] 1950 to 1957	
					Constant prices		Physical quantities			
	1938[b]	1950–1952	1953–1955	1956–1957	Percentage change, 1950 to 1957				Current prices	Constant prices
Netherlands	10	18	16	17[f]	17[f]	29[f]	−8	−20[f]	0.6[f]	1.7[f]
Norway	13	18	17	16	15	4	−9	−2	0.7	0.3
Western Germany	15	16	15	..	47[g]	38[g]	33	−8[g]	0.6[g]	0.8[g]
Luxembourg	..	15	14	13[f]	17[h]	3[h]	..[i]	−3[h]	0.3[h]	0.2[h]
Sweden	14	15	14	13	12	4	−4	−12	0.5	0.3
Austria	..	17	14	13	40	17	2	−17	0.4	0.4
France	..	15	13	13	32	40	16	−16	0.8	1.3
Greece	..	14	13	12	38[j]	37[j]	6[h]	−10[j]	0.8[j]	1.0[j]
Denmark	16	15	13	12	5	−14	−26	−8	—	—
Ireland	11	13[j]	12	12	6[j]	6[j]	3	−9[j]	0.5[j]	1.0[j]
Belgium	..	11[j]	11	11	12[j]	17[j]	7[h i]	−3[j]	1.1[j]	1.4[j]
Italy	..	13	12	11	30	18	4	−6	0.6	0.6
United Kingdom	10	11	10	10	11	6	−4	−10	0.6	0.5
United States	11	10	9	9[f]	9[f]	−1[f]	−8	−5[f]	0.3[f]	—[f]

Sources : *General Statistics, OEEC Statistical Bulletins*, July 1958 and January 1959, and *Statistics of National Product and Expenditure*, No. 2, OEEC; FAO, *Commodity Series*, Bulletin No. 25, March 1956, and *Monthly Bulletin of Agricultural Economics and Statistics*, December 1957; national statistics.

[a] In descending order of the share in 1956-1957 of private consumption.

[b] Pre-war data are not always strictly comparable with those for post-war years.

[c] The change (from 1950 to 1956) in the unweighted sum of cotton, wool, rayon and other synthetic fibres consumed.

[d] Ratio of the index number of the price of clothing to that of consumer prices in general.

[e] Relates the per capita percentage increase in clothing expenditure to that in total private consumption.

[f] 1956 or 1950 to 1956.

[g] 1950 to 1955.

[h] 1952 to 1956.

[i] Data for Belgium include Luxembourg.

[j] 1952 or 1952 to 1957.

in 1950, and France, where there has been a very rapid expansion of over-all demand in recent years.

Even in the less developed countries, fibre consumption rose more or less in line with population growth and much less than the volume of expenditure on clothing. The expenditure elasticity of fibre consumption for the post-war period was thus negative in the developed countries and extremely low in the less advanced ones. These very low elasticities no doubt reflect in part the abnormal consumption of textiles in 1950, which was a consequence partly of post-war restocking and partly of speculative buying due to the Korean war; but even after making allowance for these factors it would seem that demand for fibres is unlikely to grow much faster than population in western Europe. In view of the growing substitution of natural fibres by artificial ones, the consumption of natural fibres may be expected to rise even more slowly.

Expenditure for Shelter

Expenditure for shelter (rent, water charges, fuel, light and household operation[14]) varies between one-tenth and one-fifth of private consumption (see Table 8); and nearly half of this total represents the cost of light, fuel and household operation. Changes in these costs since before the war have not been very different from those of the cost of living in general, but this is not true for rent alone. Rent control, almost universal during the war and post-war years, has significantly influenced expenditure on housing accommodation — which generally amounts to one-half of total expenditure on shelter.

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[14] Household operation includes domestic service, miscellaneous expenditure on non-durable goods (such as matches and cleaning materials), repairs to household durables and to clothing and footwear, cleaning, dyeing, insurance, etc.

TABLE 8

Share of rent in total private consumption and relative costs of rent and of dwelling construction

Country [a]	Total shelter	Rent			Ratio of index numbers of rent to index numbers of			
	as percentage of private consumption expenditure at current prices				Cost of living	Cost of dwelling construction	Cost of living	Cost of dwelling construction
	1956	1938	1950	1956	1950 (1938=100) [b]		1957 (1950=100) [c]	
Switzerland	..	..	..	..	63	60	111	106
Belgium	23	..	11.2	13.2	58	55	125 [d]	135 [d]
United Kingdom	17	12	8.5	8.3	56	42	94	96
Norway	16	12	5.7	7.3	53	53	90	88
Denmark	14	12 [e]	5.9	6.2	78	59	106	101
Netherlands	12	11	5.9	6.4	39	29	122	101
Sweden	17	12 [f]	8.8	8.8	65	68	94	96
Austria	9	..	4.7	4.7	24	22	181	158
France	12	..	3.3	4.5	36	39	186	144
Ireland	14	8	4.2	4.1	..	..	88	110
Western Germany	12	14 [g]	8.2	7.5 [h]	63	56	104 [d]	89 [d]
Italy	9	11	1.5	2.8	8	12	350	335
Finland	13	..	3.1	7.1	22	20	323	391
Portugal	..	..	6.3 [i]	6.7	..	..	106	109
Greece	..	..	3.3	5.9	..	..	499	..
Turkey	..	..	..	..	29	..	182 [d]	..

Sources: *Yearbook of National Accounts Statistics 1957*, and *Monthly Bulletin of Statistics*, United Nations, June 1956; *General Statistics, OEEC Statistical Bulletins*, January, July 1958 and January, 1959; *Statistics of National Product and Expenditure*, No. 2, OEEC, Paris; *Economic Bulletin for Europe*, Vol. 4, No. 1, and *Financing of Housing in Europe*, ECE, Geneva 1958; national statistics.

[a] In descending order of the number of rooms per thousand inhabitants as shown in Table 9.

[b] Austria: 1937=100; Belgium: 1936-38=100; Denmark: January 1939=100 western Germany: 1936=100; Netherlands and Sweden: 1938/39=100.

[c] Finland: 1951=100; Ireland: 1952=100.

[d] 1956. [e] 1939. [f] 1938/39.

[g] 1936. [h] 1955. [i] 1952.

Europe's acute post-war housing shortage was brought about by low levels of new residential construction during the years of the great depression in some countries and the virtual cessation of building during the war, while wartime destruction made matters worse. Public control of rents, never completely absent in the inter-war period, was widened during the war and post-war years of severe inflationary pressure and helped to hold down the price of an important component of the cost of living. As can be seen from Table 8, the share of rent in private consumption expenditure in 1950 was everywhere lower than before the war, and particularly so in Austria, France, Italy and Turkey, where other prices had risen the most.

The table also shows that by 1950 the cost of living and building costs had both risen two to four times as fast as rents, the gap naturally being widest in the countries with acute inflation. Since 1950, however, the scope of rent control has been gradually narrowed, and in most countries the rent index has risen more than either the cost of living or the cost of construction. Consequently, the share of rent in private consumption rose, though not to its pre-war proportions. Part of the pre- to post-war decline in the share of rent in private consumption represents a reversal of the trend during the 'thirties, when rents fell much less than other prices;[15] with rising incomes and a consequent demand for better housing, and with a further narrowing of the scope of rent control to be expected, the share of rent in private consumption may well continue to rise in the future.

In the early post-war years, investment in housing had to compete with the no less urgent needs for

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[15] **Rent as percentage of private consumption**

	1929	*1938*	*1956*
Denmark	12 [a]	12 [b]	6
Italy	7	11	3
Netherlands	9	11	6
Sweden	15 [a]	13	9
United Kingdom	10	12	8

Sources : As for Chart 2.

[a] 1931.

[b] 1939.

Table 9

Rent levels and residential construction

Country [a]	Consumer expenditure on rent as percentage of gross fixed investment in dwellings		Percentage of new dwellings receiving public financial assistance [b]	Rooms	Dwellings	Dwellings completed (annual averages)			Estimated minimum annual requirement of new construction	
				per thousand inhabitants		per thousand dwellings existing in 1953			per thousand dwellings existing in 1953	during the period ending
	1950	1956	1957 [c]	1953		1950	1953-55	1956-57		
Switzerland	..	..	7	1 360	282	18	25	28	12-14	..
Belgium	195	263	53	1 325 [d]	347	15	14	14	11	..
United Kingdom	240	180	58	1 295	282	15	24	22	21	1966
Norway	80	107	66	1 210	279	24	36	29	21	..
Denmark	153	173	85	1 185	312	15	17	17	16	1966
Netherlands	110	95	95	1 100	230	23	27	33	29	1971
Sweden	123	110	97	1 070	342	18	23	25	14	..
Austria	85	69	60-70	1 055	320	22	19	20 [e]	24	1962
France	72	57	91	1 050* [f]	288* [f]	6	13	21	25	1976
Ireland	96 [g]	134	97	925 [d]	238	18	17	15	14	..
Spain	..	..	66	915	230*	8	14	17	18-24	1971
Western Germany	121	68 [h]	52 [i]	900	223	33	48	50	49	1966
Italy	41	33	21	800 [f]	250 [f]	6	15	21	28	1966
Finland	..	..	39	650	260	24	29	29	28	1966
Portugal	178 [g]	160	2	..	265*	8	10	13	13-17	..
Greece	50	92	27	440	213	28	29	32 [e]	36	1971
Turkey	..	..	25-33	..	180	..	..	..	21-24	..

Sources : *General Statistics, OEEC Statistical Bulletins*, January, July 1958 and January 1959; *Statistics of National Product and Expenditure*, No. 2, 1957, OEEC, Paris; *Financing of Housing in Europe*, 1958, *The European Housing Situation*, January 1956, and *Quarterly Bulletin of Housing and Building Statistics for Europe*, ECE, Geneva.

[a] In descending order of number of rooms per thousand inhabitants.

[b] Including reconstructed dwellings except for the United Kingdom, Sweden, France, Ireland and Spain.

[c] Or latest available year.

[d] Figures refer to last census.

[e] 1956.

[f] 1954.

[g] 1952.

[h] 1955.

[i] Excluding dwellings erected with tax concessions only, which are considerable; if these were included, assisted housing would be 90-95 per cent of the total.

productive investment. Moreover, the disparity between permissible rents[16] and building costs meant that large-scale residential construction was not attractive to private enterprise. It was not expected that individuals would be able to buy and build their own houses, since the cost had moved beyond the means of all but the richest, and it was feared that the critical housing shortage would persist if rent control was not relaxed or abolished. However, there was a growing recognition by most governments that, even with rent controls relaxed, the housing shortage could not be overcome without either a reduction in housing standards or active and widespread public assistance in the form of subsidies, provision of cheap and adequate long-term credit and tax concessions for new construction. Considerations of social equity (e.g., the need to assure adequate shelter for the lower income groups and to clear away slums) made the second choice important, and in some of the advanced western European countries public financial aid is now provided for from two-thirds to over 95 per cent of the new dwellings constructed.[17] Thus, as for education and other social welfare services, the provision of shelter at reasonable cost to the average and the lower income groups has come to be widely recognized in the developed countries of western Europe as a public responsibility.

The rate of new residential construction has in fact risen considerably in most of the industrialized countries during the post-war period (see Table 9); and wherever the public authorities have accepted much of the responsibility, the level of new construction in the last few years has in general exceeded the estimated minimum requirements on the basis of replacements, demographic changes and urbanization. Looking further ahead, a lower rate of growth in new residential construction may be expected in these countries unless a marked fall in the ratio of the cost of house construction to average income were to bring about a widespread demand, as in the United States, for owner-occupied houses.

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[16] For a discussion of the economic implications of rent control, see the *Economic Bulletin for Europe*, Vol. 4, No. 1; also *European Rent Policies*, E/ECE/170, Geneva, 1953.

[17] Switzerland, where mortgages are available at low interest rates, is the only country where public participation in housing finance is negligible. Subsidies vary from about 30 per cent of the estimated rent at credit market terms in Denmark, Sweden and the United Kingdom, to nearly 70 per cent in Ireland, France and Austria. For further details, see *Financing of Housing in Europe*, ECE, Geneva, 1958, pp. 43-46 and Table 40.

In most of the southern European countries and in Finland, on the other hand, the housing situation is less satisfactory and the rate of new construction in the post-war years has in general been lower than in the advanced countries. Public assistance to housing in these countries is very small, suggesting that the bulk of houses built are destined for the earners of above-average incomes. Although the present level of new construction more or less provides for replacement and for population growth, any improvement in housing conditions will require a much larger volume, and perhaps a higher rate of growth, of construction of new dwellings in future.

3. Demand for Consumers' Durable Goods and for Other Goods and Services

The Growth of Expenditure on Durables [18]

The last few years have seen a boom in demand for consumers' durable goods. In the early post-war period, greater attention was paid to provision for food and clothing and other essential requirements, and either demand for durable goods was limited by taxation or supplies were restricted by import controls or by giving priority to exports. By 1949 or 1950, however, the way was open in most countries to increase the availabilities of consumers' durable goods to meet a demand pent up through almost two decades of depression, war and post-war reconstruction. The Korean war and heavy rearmament, however, once again impeded a really major increase in supplies, so that only from 1953 onwards was rapid progress made in meeting this long-deferred demand.

It can be seen from the data in Table 10 — as well as from Chart 3 — that in all countries expenditure on consumers' durables rose faster than private consumption as a whole between 1950 and 1957, the sole exception being the Netherlands, where consumption

Table 10

Expenditure on consumers' durable goods and its share in private consumption

Country [a]	Expenditure on consumers' durable goods as percentage of total private consumption			Private consumption	Expenditure on consumers' durables	Relative price of consumers' durables [b]	Elasticities of per capita expenditure for consumers' durable goods [c] 1950 to 1957	
	1950-1952 (Annual average at current prices)	1953-1955	1956-1957	Percentage change in per capita volumes, 1950 to 1957			Current prices	Constant prices
Austria	8.3	5.1	13.2	40	110	11	2.3	2.7
Denmark	8.6	11.1	11.4 [d]	3 [d]	51 [d]	7 [d]	3.4 [d]	17.0 [d]
Luxembourg	8.7	9.3	9.9 [d]	17 [e]	29 [e]	— [e]	1.7 [e]	1.7 [e]
Sweden	9.1	9.4	9.6	12	34	−8	1.3	2.7
Norway	8.1	9.1	9.4	15	43	1	1.7	2.9
Belgium	8.9 [e]	9.0	9.3	12 [f]	26 [f]	−5 [f]	1.4 [f]	2.2 [f]
Netherlands	8.4	7.9	8.1 [d]	17 [d]	10 [d]	−4 [d]	0.7 [d]	0.6 [d]
United Kingdom	6.5	5.4	8.1	11	55	−5	2.0	4.9
France	5.5	6.4	7.4	32	127	−5	2.3	4.0
Italy	3.3	3.4	3.2	30	64	−19	1.0	2.1
Greece	2.4	2.5	2.5	38 [f]	49 [f]	— [f]	1.1 [f]	1.3 [f]
United States	10.5	10.4	10.0 [d]	9 [d]	−3 [d]	−5 [d]	0.2 [d]	— [d]

Sources: General Statistics, OEEC Statistical Bulletins, July 1958 and January 1959.

[a] In descending order of the share in 1956-1957.

[b] Relates the price index for consumers' durables to that for total private consumption.

[c] Relates the per capita percentage increase in expenditure for consumers' durables to that in total private consumption.

[d] 1956 or 1950 to 1956.

[e] 1952 or 1952 to 1956.

[f] 1952 to 1957

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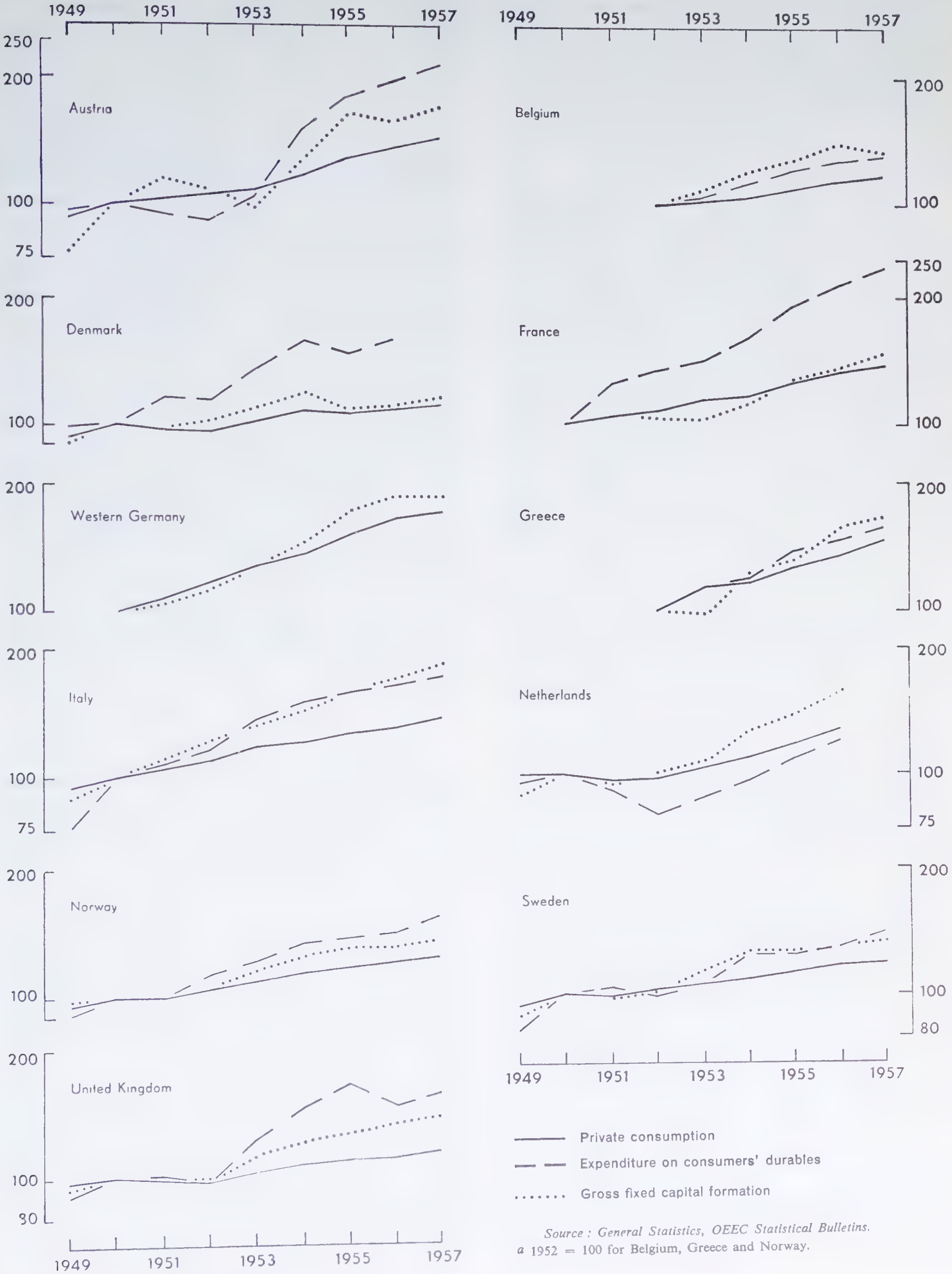
[18] The concept of consumers' durable goods includes vehicles, electric and other household equipment, household textiles, clocks, glassware, crockery and hardware; it excludes such things as books, jewellery, toys, sports equipment and musical instruments other than pianos.

CHART 3

Volume of private consumption, gross fixed capital formation and expenditure on consumers' durable goods

Index numbers, 1950 = 100 [a], semi-logarithmic scale



Source : General Statistics, OEEC Statistical Bulletins.

[a] 1952 = 100 for Belgium, Greece and Norway.

in general was restrained in favour of investment and exports. Thus, the elasticity of expenditure for consumers' durables, though it has varied considerably from one year to another, has on the average been greater than unity — often very much greater. That is to say, for a given increase in total consumption expenditure there has been a more than proportionate increase in expenditure on consumers' durables. The expansion in volume terms has been even greater since, with the major exceptions of Austria and Denmark, the prices of consumers' durables have risen less than the average of consumers' prices.

Consumers' durable goods have much in common with producers' durable goods, and their production requires much the same resources. Owing to their durability, new acquisitions can be postponed or advanced with greater ease than can purchases of most non-durable goods.[19] Consequently, the growth of, and the annual fluctuations in, demand for durables have been more like those of capital formation than of private consumption in general (see Chart 3). This is particularly so in countries such as Denmark, the Netherlands, Sweden and the United Kingdom. In these countries the growth of real income has been slower than in most others and full employment has been maintained virtually throughout the period, while balance-of-payments difficulties or price inflation have led to restrictions on total demand, and not least on demand for consumers' durables.

The influence of fiscal and other policies designed to hold back demand for such goods, after a sharp expansion, was reflected in relatively small increases in this demand in 1951-1952 and again in 1956-1957; but periods of restraint have usually been followed by a rather more rapid growth both of purchases of consumers' durables and of total demand. In countries such as Austria (since 1953), France, Italy and probably western Germany, on the other hand, fluctuations in effective demand for consumers' durables have been slight, and these goods have led the very strong upward trend of all sectors of the economy.

The share of consumers' durables in total consumption has increased in recent years in almost all countries shown in Table 10, with the Netherlands as the main exception. In Austria and Denmark (where, however, prices of consumers' durables have risen more than those of other goods and services) it is now over 10 per cent, or as high as in the United States in the immediate post-war years. It is somewhat lower in most other developed countries. In the poorer countries of western Europe, such as Greece and Italy, the share is very much lower, amounting to no more than 2 or 3 per cent of private consumption.[20]

The very high elasticity of expenditure on consumers' durables, noted earlier for post-war years, would, if it continued, lead to a considerable further increase in their share of total consumption. An unbroken continuation is questionable, however, in the light of United States experience. In 1929, when real per capita income in that country was not far different from that of the developed European countries to-day, durable goods accounted for a little over 9 per cent of private consumption; their share fell sharply during the depression and the war years and rose equally sharply in the first five post-war years, when accumulated war savings were used to satisfy a pent-up demand. Since 1950, however, the share has fluctuated round about one-tenth of total consumption, which is not very different from the share in the late 'twenties or in the advanced western European countries to-day.

Although, as a result of boom conditions, the share of consumers' durables has risen somewhat in the latter countries since 1953, United States experience tends to suggest that a faster expansion of the volume of purchases of such goods in relation to national product in future is more likely to depend on a reduction in their relative cost through progress in productivity and improvement in quality and performance. Moreover, within the durables group, it may be expected that electrical equipment and vehicles will experience a more rapid growth than other items.

The Structure of Demand for Consumers' Durables

A detailed break-down of consumption of different kinds of consumers' durable goods is unfortunately available for only a few countries. Three major groups can be conveniently distinguished: furniture and fittings, household appliances, and motor-cars and other vehicles.[21] Broadly speaking, each of these groups accounts for a third of total expenditure on

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[19] As is further explained below, national accounts conventions treat consumers' durables as being immediately consumed upon purchase, though logically they should be regarded as purchases on capital account and have imputed to them a value of services currently rendered.

[20] The discussion in most of this section is limited to the developed countries of western Europe, where the considerations applying to the further expansion of demand for durables are naturally different from those applying in the less developed countries. Just as, with further development, the share of food in total consumption may be expected to fall in the latter countries, so it may also be expected that the share of consumers' durables will rise.

[21] This is a more restricted concept than that applied elsewhere in this chapter. Such things as curtains, carpets and other household textiles are excluded, as well as crockery, pots and pans and other inexpensive goods. Original data have been adjusted as far as possible to this concept, which covers more closely the range of goods that are normally thought of as consumers' durable goods, i.e., those goods for which the demand is vulnerable to changes in economic conditions and which are conventionally connected with additions to domestic comfort and improvements in living standards.

TABLE 11

Structure of expenditure on consumers' durable goods in three western European countries and the United States

Country and expenditure group	Percentage of total expenditure on consumers' durable goods				Percentage change 1950 to 1957			Elasticities of expenditure [a] 1950 to 1957	
					Consumption		Relative price [b]		
	1950	1953	1955	1957	Current prices	Constant prices		Current prices	Constant prices
France									
Furniture and fittings	37	34	32	34	242	107	12	2.4	3.0
Electrical and other appliances	30	28	30	34	316	175	2	3.1	5.0
Motor-cars and other vehicles	33	38	38	32	265	154	−3	2.6	4.4
Total	100	100	100	100	272	143	4	2.6	4.0
United Kingdom									
Furniture and fittings	53	44	38	40	59	20	−1	1.2	1.6
Electrical and other appliances	35	33	31	32	86	62	−14	1.7	5.3
Motor-cars and other vehicles	12	23	31	28	395	277	—	8.0	24.4
Total	100	100	100	100	108	64	−5	2.2	5.5
Sweden									
Furniture and fittings	21	17	15	13	20	..	..	0.3	..
Electrical and other appliances	39	34	34	34	66	..	..	1.0	..
Motor-cars and other vehicles	40	49	51	53	161	..	..	2.6	..
Total	100	100	100	100	94	..	..	1.5	..
United States [c]									
Furniture and fittings	16	17	15	17	24	..	..	0.6	..
Electrical and other appliances	31	29	26	30	11	..	..	—	..
Motor-cars and other vehicles	53	54	59	53	31	..	..	0.9	..
Total	100	100	100	100	24	..	..	0.6	..

Sources: See Appendix B.

NOTE.—The coverage of durables is somewhat smaller than that used in the rest of this chapter; see also footnote 21. Furthermore, the allocation of motor-cars between consumer and business expenditure in national accounts is necessarily somewhat arbitrary.

[a] Relates the per capita percentage increase in expenditure on each group and the total to that in total private consumption.

[b] Relates the price index for each group and for the total to that for total private consumption.

[c] Detail for 1957 is not available and data shown for 1957 refer to 1956. In view of the sharp changes in car purchases in 1955 and 1956, the elasticities of expenditure shown and the percentage change in consumption relate to changes between 1950 and an average of those two years.

consumers' durables in France and the United Kingdom (see Table 11), although the share of furniture and fittings is somewhat higher and that of vehicles a little lower in the latter country. The composition in Sweden, with the largest car park in relation to population in Europe, is quite different from that in the other two countries shown in the table and parallels that of the United States, where vehicles provide half of the total and furniture only one-sixth.

Furniture and fittings: Before the appearance of motor vehicles and electrical appliances in the twentieth century, furniture was almost the only expensive consumers' durable goods known; but by 1950 its share in total expenditure on consumers' durables was down to one-half in the United Kingdom, to a little over one-third in France and only one-fifth or less in Sweden and the United States. This declining tendency has continued since, though less markedly in France. In contrast to other consumers' durable goods, the relative price of furniture has risen, reflecting the limited scope for gains through higher productivity in an industry where mass production methods have so far been applied only on a limited scale.

Since annual new dwelling construction even at the worst period of shortage has represented only 2 to 3 per cent of the total dwelling stock in most of the developed countries, it may be expected that in most countries the future demand for furniture will grow rather slowly. But, in countries such as France, western Germany and the Netherlands, where existing backlogs and/or future population growth require a higher rate of housebuilding, the prospect is more favourable. In general, however, additions to the stock arising from higher real incomes (more furniture per dwelling unit) would presumably be relatively small and, consequently, the share of furniture in total consumption of consumers' durables should continue to decline.

TABLE 12

Growth of stock of selected consumers' durable goods

Country [a]	Passenger cars			Radios			Television receivers	Refrigerators		Washing machines
	Per thousand inhabitants	Index numbers 1950=100		Per thousand inhabitants	Index numbers 1950=100		Per thousand inhabitants	Per hundred consumers of electricity		
	1957	1938	1957	1956	1938	1956	1956	1950	1956	1955-1956
Sweden	117	62	341	348	57	118	1.8	23.0	42.0	..
France	90	96	237	233	68	147	10.1	3.5	13.1	14.2
Luxembourg	87	79 [b]	291	269	54 [c]	133 [c]	3.2	..	..	..
United Kingdom [d]	84	85	181	282	70	118	12.8	4.5	10.7	24.6
Switzerland	68	51	238	252	54	124	4.0	5.5	16.7	11.0
Denmark	62	92	238	318	60	118	9.9	..	..	..
Belgium	60 [e]	53	195 [e]	249	69 [c]	136 [c]	16.8	7.2	17.4	54.0
Western Germany	52	..	440	277	..	182	13.5	..	13.0	16.0
Ireland	49	58	153	159	50	155	1.4 [f]	..	..	..
Norway	44	85	236	280	47	124	0.1	..	..	..
Netherlands	34	68	271	264	57	147	9.1	4.1	5.7	29.0
Austria	33	63 [b]	455	256	52	136	0.9	1.7 [g]	5.2	2.9
Finland	29	104	474	251	41	149	0.6	..	6.5 [f]	..
Italy	26	85	362	131	34	218	7.6	1.1	2.8	1.3
Portugal	12 [e]	58	178 [e]	60	26 [c]	172 [c]	—	..	..	..
Spain	5 [e]	..	176 [e]	63	46 [h i]	304 [i]	0.1	..	..	..
Greece	2 [e]	75	240 [e]	61 [f]	11	223 [f]	..	..	..	..
Turkey	1 [e]	39	250 [e]	42	13	288	—	..	..	..
United States	328	63	139	890	46	167	250	90 [j]	96 [j]	86 [j]

Sources : See Appendix B.

[a] In descending order of number of cars per thousand inhabitants in 1957.

[b] 1937. [c] 1951=100.

[d] Excluding Northern Ireland except for radios and television receivers.

[e] 1956. [f] 1955. [g] 1952.

[h] 1940. 1948=100. [j] Per hundred dwelling units.

Electrical and other appliances: Demand for the widening range of electrical and other equipment, as well as for motor-cars, is highly responsive to changes in both real incomes and relative prices; and, as can be seen from Table 12, even the richest European countries are very far from having reached saturation point. Thus, for instance, over 95 per cent of households in the United States possess a refrigerator, against only 40 per cent in Sweden and between one-tenth and one-seventh in other industrial countries. The differences in the case of washing machines, radios, television receivers and the like are also very wide.

Although purchases of such equipment have risen faster than the average for all durable goods, only in France — of the three European countries shown in Table 12 — has the share in the total of durables significantly increased since 1950, and then only of late. In the other countries the enlargement of the motor-car park appears to have outstripped the demand for appliances as a whole and has absorbed most of the room left by relatively smaller furniture purchases, as well as helping to enlarge the share of all durables in total private consumption.

Increase in domestic supplies of certain consumers' durable goods, 1952-1957

Index numbers, 1952=100

	United Kingdom	*Norway*	*France* [a]	*Western Germany*
Refrigerators	319	1300	188	422
Washing machines	191	102	228 *	607
Vacuum cleaners	243	225	122 [b]	171
Electric irons	111	87	..	133
Electric razors	320	189 [c]	..	..
Radios and radiograms	203	102	200	..
Television receivers	229	..	944	1218 [a c]
Total consumers' durables [d]	161	136	162	..
Private consumption [d]	116	117	123	148

Sources: See Appendix B.

NOTE. — Except for the last two lines, the index numbers are based on physical quantities.

[a] 1956.

[b] 1955. [c] 1953 = 100.

[d] Expenditure at constant prices.

As can be seen from the above data, the consumption of certain individual items of equipment has risen rather sharply in some countries and much more sharply than consumption of durables as a whole. But it is apparent (and partly confirmed by Table 12 — e.g., for radios) that the average rate of growth is weighed down by more slowly rising purchases of some of the more traditional durable goods that by now most families possess.

Motor-cars and other vehicles : Motor vehicles thus clearly constitute the most dynamic, if not yet always proportionately the most important, major sector of demand for consumers' durables. Although in Sweden, as in the United States, they account for about half of total expenditure on durables, more typically the proportion in western Europe is still about one-third;[22] but for all those countries for which information is available (other, perhaps, than France) expenditure on cars has been a rising proportion of the total. In the United Kingdom, for example, it has risen from only 12 per cent in 1950 to more than twice as much in 1957. The annual growth of the car stock, which for the industrial countries of western Europe has averaged as much as 11 to 12 per cent during the last eight years, has been faster than for most other consumers' durables for which information exists (see Table 12).

The importance of motor-cars in these economies is only partially expressed by their share in private consumption, amounting to some 2 to 3 per cent. Operating expenses may absorb another 2 to 3 per cent, so that in the United Kingdom the two taken together constitute 4 per cent of total consumption, in France 5 per cent and in Sweden about 7 per cent. In the United States, the proportion is as high as 10 per cent.

Other associated expenses also add to the total income-generating effect of an expanding car stock.[23] Additional calls are made on industries that service and maintain cars, and on investment in the provision of these services. There is also a multiplier effect via the many industries supplying parts and accessories and investment in car factories, assembly plants and production of accessories. Furthermore, in nearly all countries, investment in roads has lagged well behind the growth of the car park, and sooner or later will have to catch up. The sum of all these expenditures may well be not far from 8 to 10 per cent of over-all output and, because of the rapid growth of the car park, the output of these associated sectors of demand must have risen rather faster than the average for all industrial sectors in the last eight or nine years. In view of the greater dynamism of the demand for cars and its key role in the longer-term expansion of output and demand, its growth potential merits some further examination.

The Growth of Demand for Motor-cars

With a given pattern of consumer preferences, the demand for a particular commodity is a function partly of the income elasticity and partly of the price elasticity of demand. In most of the foregoing discussion attention has been paid mainly to the elasticities associated with a progressive rise in income or, more precisely, of expenditure. But in view of the expensiveness of a car in relation both to other consumers' durables and to personal incomes, and of the connexion between production techniques, taxation and selling price, any discussion of the present and potential market for cars must also take account of relative price.

Some of the relevant factors are illustrated in Chart 4, which shows the growth of the car park in the industrial countries of western Europe and in the United States and a measure of the price of a typical car in the two areas in relation to income.[24]

Expressing the price of a car in terms of an average wage-earner's income takes care of changes both in incomes and in the price of a car relative to other commodities. At the beginning of each of the periods chosen (1915 to 1929 for the United States and 1949 to 1957 for western Europe) the number of cars per thousand inhabitants was much the same in both areas. In 1929 real income per head in the United States was probably not so very much higher than in the richer countries of western Europe in recent years,[25] nor was there any marked difference in the rates of growth of real income per head in the two areas in these two periods. Between 1913 and 1917 the American

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[22] Supplementing the data shown in Table 11: the share in Denmark in the period 1950-1952 was about one-fifth, and in Norway even lower, but would seem to have more or less doubled by 1957. The allocation of total car sales between business and private consumption is arbitrary in all countries, and significance can be attached only to big differences over time or between countries.

[23] Expenditure on running costs — as indeed on car acquisitions—is not all output-generating, since a part consists of indirect taxes. The relative contribution to raising total demand made by car purchases on the one hand and the associated increase in expenditure on running costs on the other ought to be measured at factor cost rather than at market prices. In the United Kingdom, where this calculation can be made, the ratio of running costs to acquisitions is slightly lower than at market prices, but on the average still not far from unity.

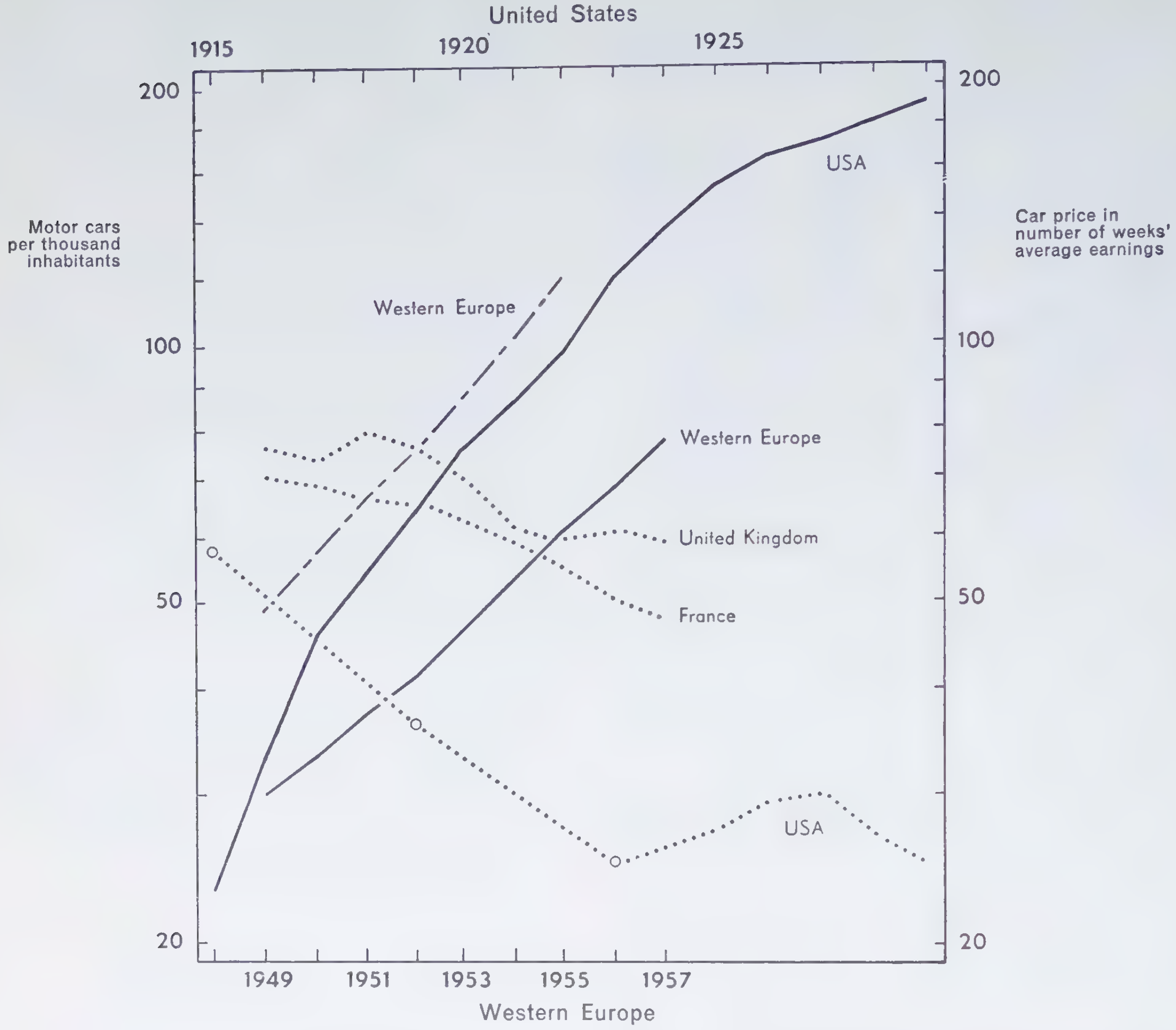
[24] The price used for the United States calculation is the average factory unit value for all cars (total value of sales divided by numbers produced). For France and the United Kingdom it is the retail price of a small popular model, such as the Morris Minor or a small Renault (for details see Appendix B).

[25] Very approximately, gross national product per head in the United States in 1929 or in 1937 (the two were hardly different and were peak years in the inter-war period) may be put at some $1,400 in 1955 prices. With United States relative price weights OEEC estimates give 1955 per capita incomes within 10 per cent of this figure for all eight European countries, other than Italy, for which the calculations have been made, but with average European weights the margin is rather wider — more than 20 per cent in some cases.

Chart 4

Growth of the motor-car park and the relative price of cars in the United States (1915-1929) and in western Europe [a] (1949-1957)

Semi-logarithmic scale



Sources and methods : See Appendix B.

[a] Ten industrial countries — Belgium, Denmark, France, western Germany, Luxembourg, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

car stock (adjusted for population growth) expanded by some 30 to 40 per cent a year, the rate falling to 15 to 20 per cent between 1917 and 1924 and thereafter tapering off to between 5 and 7 per cent. During 1949 to 1957 the car stock in the industrial countries of western Europe rose rather regularly by some 11 to 12 per cent per annum.

The very rapid expansion of the car park in the United States from 1915 to 1924 was accompanied by a sharp fall in the price of a car measured in terms of average industrial earnings. There was no such price fall (and perhaps there was a rise) in the subsequent period of more sluggish growth from 1924 to 1929.

The illustrated decline in car prices in France and the United Kingdom between 1949 and 1957 corresponds broadly to the gains achieved through rising real income in general, with little change in the price of cars relative to other commodities (see Table 11). On the other hand, the fall in the relative car price achieved in the earlier years considered for the United States was substantially faster than can be accounted for by income growth alone.[26]

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[26] The average factory price of a car rose by roughly 40 per cent between 1915 and 1920, while the Snyder-Tucker general price index rose by about 60 per cent. This was the period when mass production methods were introduced and brought the car within reach of many more households.

Finally, although the ratio of the price of even a small car to incomes in France and the United Kingdom has been falling, it is still at least one and a half times that in the United States in 1929. The fact that the number of cars per thousand inhabitants in the United States then was at least twice as great as in even the best endowed European countries in 1957,[27] and that the car park grew rather faster than in western Europe, would seem to be connected with these price differences; though differences in car stocks in the two areas could arise from a variety of other factors, such as the population structure and density, the degree of urbanization and, quite simply, different demand functions. However, the consumer preference for motor vehicles in fact seems similar in the two areas, as is strikingly illustrated by the virtual identity of the curves for motor-cars in the United States and for the total of motor-cars and motor cycles in western Europe; and this offers some support to the earlier conclusion about the importance of relative price differences.[28]

As can be seen from the figures below, the cost of a car in terms of incomes has influenced relative expenditures on new cars even among countries of western Europe. In two of the countries where a car costs a year's earnings or more (Norway and the United Kingdom) the growth of the car park has been the smallest, and Sweden, with the most favourable ratio, has witnessed the most rapid growth.[29]

Country	*Index of car park in 1957: 1949 = 100 Number per thousand inhabitants*	*Price of car (including tax) in 1955/56: Percentage of average annual earnings*
Sweden	418	63
Switzerland . . .	259	73
Belgium	272	73
Germany	578	77
France	243	84
Norway	224	98
United Kingdom	184	114
Italy	450	136

Sources : National statistics, *Industrial Statistics 1900-1957*, OEEC, Paris, 1958, and *The European Steel Market in 1956*, ECE, Geneva, 1957.

Even without greater success in bringing the car price-income relationship in western Europe closer to that prevailing in the United States, there is little reason why the west European car park should not continue to grow at more or less the same rate as in past years as the number of potential consumers rises with the growth of real income: a repetition of United States experience up to 1926. At this rate of growth (somewhat slower than the corresponding rate in the United States) the industrial countries of western Europe would by 1965 reach the same number of cars per thousand inhabitants as existed in the United States in 1926. Naturally, many factors may induce some change in this rate of growth and forward estimates must be very tentative. Economic growth in general may be less fast than in the post-war years. Alternatively, or even simultaneously, consumers may increasingly prefer to buy a more powerful better (say medium-sized) car rather than the small and less expensive one, so that the relationship between car price and income might not continue its present downward trend. However, this would imply a change in consumer attitudes to car possession at the earliest possible time consistent with income that there is no apparent reason to presume.

Between 1950 and 1957 the output of passenger cars in western Europe more than doubled. The continuation of the past rate of increase in the car park in the industrial countries and an unchanged trend of exports to non-European destinations would imply an increase in western Europe's production by 1965 to between two and a half and three times the present output, or something like eight million cars annually (higher by a third or more than the post-war annual average in the United States). Such assumptions concerning future demand might be somewhat optimistic; exports to overseas may not rise so fast in future, the rate of scrapping implied may not be realized, and some of the other possibilities referred to above may materialize. But even a slower annual increase in output than in past years — averaging say 8 per cent rather than some 11 or 12 per cent — would result in a doubling of present output by that time. Through its implications for other industries and other expenditures noted above, such a relatively fast expansion would give a considerable stimulus to the growth of national product. In the growth of the European economies over the next decade or two, the demand for cars could play a role not unlike that of the great railway boom in the latter half of the nineteenth century and of the automobile boom in the United States during 1913-1929, unless short-term policy measures deliberately dampen the overall growth rates.

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[27] Against 175 cars per thousand inhabitants in the United States in 1929 and 200 in 1937, there were 84 in Great Britain in 1957, 90 in France, roughly 60 in Belgium and Denmark, and even fewer in other countries (including western Germany).

[28] Although since 1929, with the various improvements and additions to car models, the relationship of car prices to incomes has not changed very much in the United States, there is even to-day a substantial difference between that country and those of western Europe. In 1955/56 a typical American car (Chevrolet type) cost the equivalent of six months' earnings for an average employee (see Chart 4 for years up to 1929). Even for the smallest European car in the industrial countries the cost in terms of an average wage-earner's income varies from seven months in Sweden, nine months in Belgium, Switzerland and western Germany, to fourteen in the United Kingdom and as much as sixteen months in Italy. Furthermore, the annual cost of running a car, which absorbs less than another month's earnings in the United States, takes nearly twice as much in most European countries. (*Source : The European Steel Market in 1956* (E/ECE/294), Geneva, 1957.)

[29] Both Italy and western Germany are somewhat exceptional cases because of the very low absolute level of the stock in 1949 and because of the late and more rapid post-war recovery in Germany.

If even the lower estimate of demand for cars should prove to be too high, there are possibilities for stimulating a faster growth than might occur through the mere rise in real incomes. These are two-fold: the cheapening of the relative cost of production by further rationalization, by the application of automation and by economies of scale (which the growth of demand itself encourages), and the reduction of the selling price and of running costs through a lighter burden of taxation, particularly in countries where taxation adds substantially to the retail price.[30] The establishment of the western European Common Market, or tax reductions (if not objected to on other grounds), might lead to the kind of sharp fall in the car price in relation to income that occurred in the United States up to 1923. The possibility of tax changes raises, of course, broad issues of public policy going beyond the question whether and to what degree it is desirable to tax more heavily so-called " luxury " consumption. If, indeed, future rates of increase in consumption demand and so of national product are to a considerable degree tied up with the demand for cars, a flexible attitude towards car taxation seems highly desirable.

Consumer Credit

The growth of consumer credit represents essentially an extension of the facilities, already provided for producers' equipment in the nineteenth century, for the purchase over time of consumers' goods, particularly durables, which in terms of cost in relation to financial resources and of durability are not dissimilar from capital goods. Probably one-fifth to one-quarter of these goods [31] are now purchased on such credit terms in the western European countries for which data are shown in Table 13. These data are subject to serious limitations [32] and should therefore be used with great circumspection, particularly for inter-country comparisons. In the United Kingdom outstanding credit amounted to under 3 per cent of the gross national product even in the year in which hire-purchase debt increased most rapidly (1955). The ratio for other industrial countries is probably lower, even when allowance is made for the more restricted scope of some of the figures.[33] In the United States, on the other hand, the corresponding relationship was 4½ to 5½ per cent and as high as nearly 8 per cent if personal loans are also included.

Motor-cars are often the most important single item in total hire-purchase sales, though there is much difference between countries, and their share would be lower if allowance could be made for credit not included in some of the statistics. Moreover, a fairly substantial proportion of total car sales financed by hire purchase in western Europe appears to relate to second-hand cars — in the United Kingdom more than four-fifths in terms of numbers and more than two-thirds in terms of credit outstanding, and about one-half in France in terms of numbers.[34] This contrasts with about one-third in the United States. As for other durable goods, the proportion sold on hire purchase terms in western Europe does not exceed one-third [35] even in countries where hire purchase is more developed, against roughly one-half in the United States where, in addition, personal loans play an important role.

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[30] In 1955/56 taxation added to the purchase price an amount ranging from only 4 per cent in Italy (where the pre-tax price is, however, exceptionally high) to 22 per cent in France, 45 per cent in Norway and as much as 66 per cent in the United Kingdom. If the tax element is ignored, the price of a small car is no longer so very much higher (20 to 30 per cent) in terms of income in most western European countries than the less expensive of the American models (see E/ECE/294, pp. 59-60).

[31] Some clothing, for example, is also bought; producers' goods such as machinery and professional equipment (often representing as much as 10 or 15 per cent of the total of outstanding credit) can likewise be bought on hire purchase. Yet another part may finance sales of vehicles to business (usually unincorporated enterprises), where the distinction between a vehicle used for business and for private purposes is particularly difficult to make.

[32] So far as possible, credit extended to the business sector has been excluded from the figures (though not in the case of cars). One difference between countries arises from the extent to which credit sales other than hire-purchase ones are included, in particular if they involve relatively short-term credits. A further, and in some cases more serious shortcoming — in western Germany, for example — is that the data sometimes cover only financial intermediaries that extend credit for hire purchase or only those that specialize in such business, and so exclude business financed directly by traders themselves (whether from their own reserves or from bank credit not identifiable as for this purpose). The omission of such data not only hampers inter-country (and even inter-temporal) comparisons of the extent of hire purchase but also affects figures relating to the distribution of hire purchase among different kinds of consumption. The importance of consumer credit financed by banks and finance houses relative to other kinds of consumer credit is to a great extent a matter of institutional arrangements, but in the United Kingdom (one country where figures are available) it accounts for anything from two-fifths to a little more than one-half, specializing in new and second-hand vehicles. In France, on the other hand, other kinds of hire-purchase credit are believed to be of minor importance.

[33] In the Netherlands, outstanding credit has been estimated at about 1½ per cent of national income (cf. *Amsterdamsche Bank Quarterly Review*, Ist Quarter, 1955). In Austria, a great deal of the credit included in the figures is for a short period — often less than six months, even in the case of cars. (See *Der Teilzahlungskredit in Österreich*, Österreichisches Institut für Wirtschaftsforschung, October 1954).

[34] " Crédit à la Consommation et le marché des biens durables ", *Consommation*, October-December 1958. Similarly, the proportion of sales of new cars financed by hire purchase is higher in the United States than in the United Kingdom (though increasing in both cases). In the United Kingdom it has risen from about one-twelfth in 1952 to one-fifth in 1957; in the United States it was under one-half in 1950, rising to about two-thirds in 1957.

[35] For individual items, such as furniture, the proportion can be as much as one-half.

TABLE 13

Hire-purchase credit and its distribution

Country and year	Percentage of total					Credit extended as percentage of:		Credit outstanding (end of year) as percentage of gross national product
	Vehicles, new and secondhand	Electrical and other household appliances	Furniture	Textiles and clothing	Other [a]	expenditure on consumers' durables	total private consumption	
			Credit outstanding (end of year)					
France 1955	71	20	9	—	—	. .	. .	0.8
1957	70	21	9	—	—	. .	. .	0.8
Norway 1957	69	. .	13	. .	18	. .	. .	0.9
United Kingdom . . 1955	30	30	39	—	1	. .	. .	2.3
1957	44	25	29	—	2	. .	. .	2.2
			Credit extended					
Austria [b] 1953	76	. .	6	13	5	11.7	1.0	0.6
1957	66	. .	7	7	20	13.6	1.8	0.9
Belgium 1954	55	. .	. .	9	36	17.5	1.6	1.3
1957	47	. .	. .	10	43	18.0	1.7	1.6
Western Germany . . 1953	26	26	18	25	5	. .	1.1	1.0
1957	26	21	18	29	6	. .	1.6	1.4
Ireland 1956	50	15	13		22	. .	1.7	1.8
United States 1953	58	42				. .	9.6	4.5
1957	59	41				. .	10.0	5.5

Sources and methods : See Appendix B.

[a] Including items for which separate information is not available.

[b] For a comparison with a special inquiry in 1953, where the coverage was considerably wider, see Appendix B.

NOTE.—The coverage of the statistics varies widely from country to country. Personal loans and book credits, and as far as possible credit for industrial and professional equipment, have been excluded. For further details on country coverage, see Appendix B.

In view of the much greater development of consumer credit in the United States, it is perhaps relevant to stress that hire purchase was not always as important there as it is to-day. At the top of the boom, when the share of consumers' durables in total consumption was at its inter-war peak of over 9 per cent (and, as has been seen, per capita real income was much the same as in the richer countries of western Europe to-day), consumers' outstanding instalment debt was only 3 per cent of the gross national product, or not much more than in some countries of western Europe in recent years. But since about 1935 its importance in the United States has continued to increase — with the sharpest expansion in the post-war period — rising to nearly 8 per cent of the gross national product in the years 1955-1957.[36]

It is a fair assumption that hire purchase will play an increasing role in western Europe too as the habit spreads both to a larger part of the population and to a wider range of goods (and services). A relatively greater rise in demand for the more expensive durables such as motor-cars will, as in the United States, no doubt increasingly be financed by this means. There will thus be a larger field in which to use credit policy as an instrument to influence changes in the volume of consumption.

There is no inherent reason why one part of consumption which involves relatively heavy expenditure should not be financed by borrowing, and in this respect the acquisition of consumers' durables is no different from that of producers' durables. It is only a matter of convention that consumers' durables (other than housing) are treated in national accounts as being immediately consumed upon purchase instead of as capital goods acquired out of, and corresponding to, savings. They are, it is true, different from productive investment goods that lead to a greater supply of goods and services for consumption

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[36] Only part of this growth can be attributed to the increased importance of personal loans, without which consumer instalment debt would still be about 6 per cent of gross national product (compared with nearly 4 per cent in 1939); but the increased use of such loans is one reflection of the extension of the instalment habit to a variety of uses other than the acquisition of clearly definable durable consumers' goods.

TABLE 14

Expenditure on drink and tobacco and on other goods and services

Percentages

Country	Share in total private consumption				Increase in volume 1950-1956			Change in relative prices [a] 1950-1956	
	Drink and tobacco		Other		Drink	Tobacco	Other	Drink	Tobacco
	1950	1956	1950	1956					
Austria	13.8	11.5	13.5	18.6	38 [b]	15 [b]	46 [b]	–17 [b]	–20 [b]
Belgium	9.9	9.0 [c]	. .	20.7 [c]	. .	. .	. .	. .	. .
Denmark	9.2	8.1	25.7	26.2	. .	. .	. .	. .	. .
Finland	8.3	8.2	. .	. .	. .	. .	. .	. .	. .
France	10.1	8.0	18.7	23.2	19	26	33	–15	–9
Western Germany	15.5	15.6 [d]	. .	. .	86 [b]		73 [b]	–21 [b]	
Ireland	18.0 [e]	16.7	. .	. .	–3 [f]		. .	1 [f]	
Italy	10.3	11.1	17.0	19.6	35	28	47	17	–6
Netherlands	5.8	6.5	19.6	18 6	15		. .	12	
Norway	8.4 [e]	7.2	21.1 [e]	20.5	– [f]		17 [f]	–3 [f]	
Sweden	7.0	7.6	21.0	21.9	29	9	22	4	4
United Kingdom	16.3	13.7	18.1	17.7	11	13	13	–17	–17
United States	6.3	5.6	27.1	29.3	. .	. .	. .	. .	. .

Sources : See Appendix B.

[a] Relates the price index for drink or tobacco to that for consumers' goods and services in general.

[b] 1950-1955. [c] 1954. [d] 1955. [e] 1952. [f] 1952-1956.

NOTE.—Drink includes alcoholic beverages only, though in some cases some non-alcoholic drinks could not be excluded. For details, see Appendix B. Other goods and services include all those not accounted for in Tables 4, 7, 8 and 10, *inter alia* : culture, education, travel, insurance, personal care and hygiene, entertainment and sport.

in the future, but not from so-called "unproductive" investment (housing and other), the main purpose of which is to provide services to users.

When regarded in this way the choice is one of the allocation of savings between productive investment on the one hand and unproductive investment and the acquisition of consumers' durables on the other. Whether consumer credit is to be left a free hand in influencing the allocation of resources, or—from a short-term point of view — the level of total consumers' demand in relation to over-all demand, is a matter for general policy. Consumer credit is often considered to be inflationary in the sense that goods produced to-day and which therefore generate incomes, are paid for only out of incomes earned to-morrow, but what matters is whether this additional demand is offset by savings elsewhere in the economy or whether the total of all financial claims on resources, including credits for investment, exceeds the physical possibilities of supply. If so, it is, of course, reasonable to discriminate as much (or more) against finance for purchase of consumers' durables as against finance for stock accumulation, unproductive or productive fixed investment.

The relative discrimination to be applied against consumers' durables and these three kinds of investment (if indeed such discrimination can be exercised in practice) depends on policy objectives and on whether or not, if there is inflationary pressure, there are particular sectors of especially marked excess demand. In the shorter run the financing of consumption of durables, as also of non-productive investment, may be considered as relatively more inflationary, since the current production of these goods does not lead, as does productive investment, to higher output in the future. But the shorter-run need to operate on hire purchase as part of the general system of restraining or sustaining demand should not be confused with the longer-term role of hire purchase in helping consumers to achieve their optimum pattern of consumption.

Consumers' Miscellaneous Expenditure

Between one-fifth and one-quarter of total personal expenditure is spent on a variety of goods and services, among which alcoholic drink and tobacco absorb something like one-third or even one-half of expenditure in this sector and a wide variety of miscellaneous goods and services the rest. Taken together, the share of these items in total expenditure has been fairly constant, though in some countries, such as Austria, France, Ireland and the United Kingdom, the share of drink and tobacco has been gradually declining. These are commodities that have long been the favourite targets of the fiscal authorities, and the high level of taxation that already prevailed in the early post-war years has meant that the relatively small additional taxes imposed more recently have not, in general, prevented an increase in the volume consumed more or less in line with the rise in total consumption or even exceeding it. Since in most countries tax is such a large part of the selling price of drink and tobacco,[37] and recent increases in these taxes have been small, the percentage rise in selling prices since 1950 has been rather smaller than for the mass of consumption goods, except in Italy and Sweden.

As can be seen from Table 14, the share of total consumption devoted to drink and tobacco ranges from 7 to 9 per cent in France, Norway and Sweden (and even less in the Netherlands) to 15 per cent or more in western Germany,[38] Ireland and (until recent years) the United Kingdom. Variations among countries are a function partly of taxation, and partly also of national habits and tastes, which to some extent also determine the distribution of expenditure between these items and other expenditures, after fulfilment of basic requirements for food, clothing and shelter.

The other half or more of miscellaneous consumption expenditure is comprised of a large number of small items (such as travel — including running costs of cars — insurance, sport, entertainment, culture, education, religion, personal care and hygiene, trade union fees). A part of this is supplemented by the provision of services that society finds it more convenient or otherwise preferable to carry as a charge on the public sector rather than to leave to individual purchase.[39] The administration of justice, civil law and order, street cleaning and lighting, and the disposal of sewage are examples of such public service, but there is also a broader group of social services with which almost all citizens at some time in their lives come into contact and which, moreover, they often supplement by expenditure out of their personal income. Such, for example, are health and education.

Public expenditure on education and health as percentages of private consumption in 1956

Country [a]	*Education*	*Health*
Sweden	6.5	4.3 [b]
Finland	6.4	2.7
Netherlands	5.2	..
Western Germany [c]	5.0	..
Italy [d]	4.9	..
France [b]	4.8	..
Norway	4.4	..
Switzerland [b]	4.1	2.4
Belgium	3.9	..
Austria	3.8	0.8
Luxembourg	3.7	..
United Kingdom	3.6	4.6
Denmark [c]	3.5	2.3
Ireland [c]	3.2	..
Greece [e]	1.6	..

Sources and methods : See Appendix B.

[a] Arranged in descending order of share of education expenditure.

[b] 1955. [c] 1955/56. [d] 1956/57. [e] 1954.

Ultimately, of course, consumers as a whole pay for these public services through taxation, and so indirectly they form additions to consumers' expenditure. Unlike that major part which is traditionally regarded as private consumption, most of this supplementary expenditure cannot be measured by a market price (as can, for example, pharmaceuticals or private doctors' fees) and conventionally it is treated as substantially the equivalent of wages and salaries paid in these public sectors. None the less, it is interesting to note from the table above that even on this basis, public education expenditure is the equivalent of at least 3 per cent of private consumption in nearly all countries, and in some, such as Finland, western Germany, the Netherlands and Sweden, as much as 5 per cent or more. Only partial data exist for public health, which indicate that in general (and with the main exception of the extensive public service provided in the United Kingdom) such expenditure is less than on education. The two taken together constitute in most countries a minimum of a 5 per cent addition to private consumption expenditure, and approach a figure nearer to 10 per cent where the public sector assumes a broader responsibility for the provision of such services, as in Sweden and the United Kingdom.

4. Conclusions and Prospects

In the growth of the west European economies over the last eight years, exports, fixed capital formation and additions to stocks have played a major role, nearly three-fifths of the total expansion of demand in the area as a whole being due to these sectors. Public and private consumption, although by far the biggest sector of final demand (over 60 per cent), accounted for only two-fifths of the expansion. In the years to come exports to overseas are unlikely to continue increasing as quickly as gross national product.[40] Gross domestic capital formation in the industrial countries has expanded very rapidly in the post-war years and now absorbs about one-fifth of gross national product — as large a proportion as in previous periods of rapid expansion. It seems likely that the future rates of expansion of capital formation will not be higher than that of gross national product, and that consumption will therefore also expand at about the same rate as the gross national product, thus becoming a more important determinant of economic growth in the years to come than in the past.

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[37] In the United Kingdom, for example, expenditure on alcoholic drink absorbs only 4 to 5 per cent of total consumption expenditure at factor cost, against 8 to 9 per cent at market prices. For tobacco, the share at factor cost is only 2 per cent, instead of 7 to 8 per cent at market prices.

[38] In western Germany, drink and tobacco includes coffee, which is rather heavily taxed.

[39] Defence expenditure normally accounts for one-third to one-half of public consumption in western Europe in recent years.

One of the interesting findings of the earlier sections of this chapter is the virtual stability in the pattern of consumption expenditure in the economically advanced western European countries over a fairly long and varied past period. It is true that sharp changes in relative prices for food, in the levels of taxation on drink, tobacco and some of the durable goods, or in rent policies, could lead to some variation in the share of these items in total private consumption. It is unlikely, however, that even with a doubling of real income any spectacular changes in the shares of these groups, in accordance with the conventional notions of group elasticities, will occur. Significant changes are more likely to take place not for the broad groups but within each group. In the less economically developed countries, on the other hand, the growth of output should lead to a relative decline in expenditure on food and a rise in other types of expenditure, particularly for durable goods. The analysis of broad categories of demand, which is all that is possible with existing data, is of little help in forecasting the output of specific commodities and services, but some pertinent observations may be made for the two groups — food and durables — which have been discussed in some detail.

Unless the relative price of food were to decline very sharply, as in the 'thirties, it is likely that the proportion of private consumption expenditure devoted to food will settle at about 30 per cent in the advanced countries; in other words, food expenditure will increase at about the same rate as total expenditure on private consumption. This, however, does not mean that the demand for specific food products in quantitative terms will also rise in line with income, any more than it has done in the past. The virtual stability of the share of food expenditure reflects a divorce between the quantities of main foodstuffs consumed and money expenditure.[41] Even were the expenditure on "food" to rise as much as incomes, a large part of this increase would be for the non-food component, such as services, packing materials, etc., in the food package, so that the additional quantities of foodstuffs consumed would be much smaller; for some — cereals and potatoes — the rate of increase would be even smaller than that of population growth and for others somewhat faster, but still less than that of income growth. Only the demand for fruit and vegetables may be expected to grow as fast as, and perhaps faster than, income in the developed countries. These considerations are highly relevant for an appreciation of the output needs for specific commodities, and for employment in agriculture and in food-processing and servicing industries.

Thus, in the economically developed countries of Europe, the expenditure elasticities for food are high, but quantity elasticities, except for fruit and vegetables, are very low; on the other hand, the possibilities of increasing agricultural output and productivity, particularly in animal husbandry, are considerable. But because of low quantity elasticities, the absorption of the higher output at present price relatives will pose a serious problem. Population growth is slow, and urban and rural consumption levels are not so different that a continuing migration to the towns will lead to a significant increase in demand.

In the less economically developed Mediterranean countries, on the other hand, the divorce between expenditure on food and quantities consumed is less marked.[42] The demand for animal, and particularly dairy, products has risen as much as incomes, or more in the past; but the potential for increasing output may be considered more limited than in the advanced western European countries, given the capital and technical services needed greatly to raise agricultural output and the competing claims on them. Per capita consumption of fruit and vegetables, however, is almost as high in these countries as in the United States and much higher than in most western European countries. Climatic conditions favour a much higher output of such products in these countries; but their domestic consumption is already very high, and can hardly rise much further.

Thus, the developments in demand and output in the two areas of western Europe suggest a sound basis of exchange of animal products from the developed countries with fruit and vegetables from the Mediterranean countries. Modern advances in the transport of perishable commodities now make such an exchange feasible, and it could lead to a considerable improvement in the regular supply of these products in both these areas.[43] Surplus disposal programmes, now being considered in some of the countries, can hardly be regarded as anything more than a temporary solution. A rational reorganization of west European agricultural policies could, it seems, be based on sound trade co-operation between the two areas.

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[40] See the SURVEY for 1957, Chapter V, Section 4.

[41] Data showing a detailed break-down of expenditure on quantities of main foods and on the related services and other non-food elements in the basic food basket are not available. A rough impression, however, of the order of magnitude involved and of the differences between the industrially developed and less developed countries of western Europe may be obtained. The share of the total cumulated cost of final private consumption that consisted of services provided by transport, trade and other service sectors of the economy is about one-third in the high income countries of western Europe. It is only one-fifth in Italy, a country with somewhat lower per capita income levels. (See the SURVEY for 1957, Chapter III, Tables 9-15).

[42] See footnote 41.

It may well be that the expansion of demand for consumer-durables (as a group) in the advanced countries may not be much higher than for income in general. In other words, the elasticity of expenditure for durables would, like that for food, be not much different from unity and the share of durables may not rise much above 10 per cent of private consumption. Within the group as a whole, however, the importance of furniture will decline and also that of some other appliances, such as radios, where the stock is already high in relation to population. Thus, even if the share of durables as a whole were not to change much, the relative decline of some components will leave considerable scope for much higher rates of growth of expenditure on appliances such as refrigerators, washing machines and motor cars. Moreover, productivity gains may be expected to reduce the relative prices of these products, so that equivalent current expenditure will in future buy more; or at least consumers' satisfaction will be increased through major improvements in quality and in the services rendered by durable (especially household) equipment at unchanged relative prices.

Among all the sectors of demand, that for household appliances and motor vehicles is likely to increase most rapidly; and if consumption in general is to play a more important role in determining rates of growth, it is obvious that within consumption this sector will be the most dynamic. Thus, policies — with respect to prices, taxes and consumer credit — toward this sector will play a greater role than before as regulators of the rate of growth of the economy in general, and increasing discrimination in their application will be required.

The developments outlined above are also likely to have important short-term implications for the economies of western Europe. Like the demand for fixed investment and stock accumulation, demand for consumers' durable goods can be deferred and " bunched " and is thus subject to a fair degree of fluctuation. In the advanced western European economies, these volatile sectors of final demand now constitute between one-fourth and one-third of the total. The faster growth of demand for consumer-durables, however, appears to have been matched by an equally fast growth of demand for the output of the non-commodity sector (services) to nearly one-third of private consumption — or as much as the combined expenditure on consumers' durable goods and fixed investment. In the United States, for instance, employment in the non-commodity sector is now above that in the commodity sector and the trend in western Europe appears to be in the same direction.

In most cases the output of the service sector is bound up with, and inseparable from, that of basic commodities such as food, clothing, etc. and constitutes a joint supply. Since demand for the basic consumption items is relatively stable, and since services are immediately consumed and cannot be stocked, the growth of the service sector in the advanced countries seems to have created a built-in stabilizer within the economy.

In pre-war recessions, there was a fairly close link between the movement of commodity output and of incomes, which reflected the predominance of commodity production in total income generation. In the post-war recessions in the United States, however, even when commodity output declined sharply, there was a much smaller decline — or even no decline — in consumers' incomes and expenditure. In earlier analyses of post-war recessions the relative stability of consumers' income was usually explained by the influence of various built-in stabilizers (such as unemployment compensation and other social security payments) and counter-cyclical public policies (tax concessions, public works programmes, etc.) which helped to offset the decline in incomes in the commodity sector and to moderate the consequent fall in total economic activity. In addition to these factors, however, the increasing importance of services and their association with the less volatile sectors of consumers' demand for commodities appear to have helped to maintain consumers' incomes and expenditure and thus to reduce the sensitivity of the economy to short-term fluctuations in the demand for consumers' durable goods, capital equipment and stocks.

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[43] This is roughly what happens in the United States in the exchange of agricultural products between the north and south.

Appendix A

SUPPLEMENTARY STATISTICS

TABLE I

Changes in the structure of food consumption in western European countries and the United States

Country [a]	Period	Daily calorie intake per capita			Percentage of total calories derived from :					
						Animal products				
		Total	Animal products	Vegetables and fruit	Cereals and potatoes	Dairy products [b]	Meat and eggs	Vegetables and fruit	Fats and oils [c]	Sugar and syrups
Denmark	Pre-war	3 420	916	108	33	11	16	3	19	16
	1950/51	3 180	848	160	37	13	14	5	16	13
	1956/57	3 360	856	167	32	10	15	5	19	15
Sweden	Pre-war	3 120	888	73	37	17	12	2	14	15
	1950/51	3 240	923	100	34	16	12	3	15	16
	1956/57	2 970	838	125	32	15	13	4	17	16
United Kingdom .	Pre-war	3 110	830	119	35	9	18	4	17	15
	1950/51	3 100	797	109	38	12	14	4	17	13
	1956/57	3 270	928	122	32	11	18	4	16	17
Netherlands . . .	Pre-war	2 840	590	95	44	13	8	3	18	12
	1950/51	2 960	540	98	40	12	6	3	22	15
	1956/57	2 950	608	98	35	13	8	3	23	15
Norway	Pre-war	3 210	650	63	44	12	8	2	19	11
	1950/51	3 180	784	68	43	17	8	2	19	8
	1956/57	3 310	781	88	36	16	8	3	21	13
Switzerland . . .	Pre-war	3 140	916	157	39	17	12	5	12	13
	1950/51	3 250	844	203	40	16	10	6	12	13
	1956/57	3 150	861	212	36	16	12	7	13	13
Western Germany .	Pre-war	3 040	657	97	47	10	12	3	17	9
	1950/51	2 810	524	103	47	10	9	4	18	10
	1956/57	3 000	660	130	40	10	12	4	21	10
Belgium–Luxembourg	Pre-war	2 820	484	79	50	7	11	3	16	11
	1950/51	2 890	568	108	45	9	11	4	18	10
	1956/57	2 990	663	148	42	8	14	5	18	10
Finland	Pre-war	2 990	691	53	53	17	6	2	11	10
	1950/51	3 230	749	38	50	17	6	1	13	11
	1955/56	3 190	908	49	43	21	7	2	14	12
France	Pre-war	2 870	593	126	51	7	13	4	12	9
	1950/51	2 830	619	145	48	8	14	5	11	10
	1956/57	2 920	788	138	43	10	17	5	13	9
Austria	Pre-war	2 930	673	96	49	12	11	3	14	9
	1950/51	2 790	567	108	51	12	9	4	14	9
	1956/57	2 950	658	136	44	11	11	5	15	12
Ireland	Pre-war	3 400	885	63	50	11	15	2	10	12
	1950	3 500	877	88	46	12	13	3	13	12
	1956	3 560	900	88	44	12	14	2	14	13
Greece	Pre-war	2 600	269	106	61	7	4	4	14	4
	1950/51	2 510	191	154	63	5	3	6	13	4
	1956/57	2 600	284	175	58	7	4	7	13	5
Portugal	Pre-war	2 100	138	175	56	1	5	8	17	5
	1950/51	2 460	131	204	62	1	4	8	13	6
	1956	2 550	163	189	58	2	5	7	15	7
Italy	Pre-war	2 520	235	86	65	5	5	3	11	3
	1950/51	2 430	245	132	63	6	4	5	11	5
	1956/57	2 570	298	155	59	7	5	6	13	7
Yugoslavia . . .	1950/51	2 400	284	44	73	6	6	2	8	3
	1953/54	2 710	292	86	72	6	5	3	8	3
Turkey	Pre-war	2 450	154	91	76	3	3	4	6	3
	1950/51	2 510	149	131	75	3	3	5	6	4
	1956/57	2 670	147	168	73	3	3	6	5	5
United States . .	Pre-war	3 220	896	180	32	11	16	6	16	16
	1950	3 090	983	193	27	14	18	6	15	16
	1956	3 150	1 116	183	24	14	22	6	16	16

Sources : *Yearbook of Food and Agricultural Statistics*, FAO, Rome.

[a] In ascending order of the proportion of total calories derived from cereals and potatoes in 1956/57. [b] Excluding butter. [c] Including butter.

TABLE II

Per capita consumption in wage-earners' families in selected industrial branches and in average collective-farm households in the Soviet Union

Index numbers (1953=100) based on family budget inquiries

Commodity or commodity-groups	Wage-earners' families						Collective-farm households					
	1940	1952	1953	1954	1955	1956	1940	1952	1953	1954	1955	1956
Food [a]												
Cereal products [b]	115	103	100	97	97	93	102	97	100	100	102	102
Potatoes	60	104	100	91	97	96	64	104	100	88	89	89
Vegetables, cucumbers, melons	85	79	100	104	112	107	86	76	100	105	105	107
Meat and fats	60	80	100	108	108	113	90	75	100	121	132	148
Fish and fish products [c]	71	106	100	119	128	121	65	89	100	117	144	157
Milk and milk products [d]	59	85	100	101	105	126	90	95	100	106	121	135
Eggs	68	76	100	113	118	119	71	80	100	121	139	150
Sugar	51	91	100	105	90	102	35	69	100	126	96	152
Confectionery	71	95	100	113	106	111	59	81	100	125	137	148
Non-food												
Textile tissues [a]	48	83	100	107	91	85	58	74	100	128	120	123
of which: Woollen	23	93	100	95	70	79	36	73	100	127	118	155
Silk	7	50	100	137	110	128	28	48	100	207	265	455
Footwear [a]	68	90	100	99	96	99	75	84	100	114	123	130
of which: Leather	57	85	100	106	99	102	78	76	100	130	140	150
Clothing (other than knitwear) [e]	45	89	100	109	106	110	97	72	100	142	176	215
Knitwear [e]	39	72	100	119	117	128	76	68	100	142	170	200
Furniture and household goods [e]	36	75	100	118	114	119	64	66	100	139	170	188
Cultural goods [e f]	17	73	100	129	134	150	33	67	100	181	245	293

Source: Narodnoe Khozyaistvo SSSR v 1956 godu.

NOTE. — For an explanation of the significance of these data, see Appendix B.

[a] Quantities.

[b] Bread in flour equivalent, flour, groats, macaroni and similar products.

[c] In fish equivalent.

[d] In milk equivalent.

[e] Cash expenditure deflated to a constant price basis.

[f] Includes books, newspapers, toys, radios, musical instruments, watches, sports goods, bicycles, motor-cars, etc.

TABLE III

Retail supplies of consumers' durable goods in eastern Europe and the Soviet Union, 1950 to 1957

Thousands

	1950 [a]	1951	1952	1953	1954	1955	1956	1957
Czechoslovakia								
Radio sets	234.0	..	..	89.6	172.8	170.2	162.8	215.9
Television sets	—	—	—	0.4	12.9	29.1	47.9	121.3
Electric washing machines	12.3	..	..	32.4	119.7	193.6	224.0	262.8
Refrigerators	4.7	..	..	2.7	13.8	21.7	37.4	75.3
Sewing machines	29.5	..	..	19.0	46.1	44.9	44.9	55.8
Bicycles	169.9	..	..	139.5	172.9	164.1	215.1	280.7
Motor cycles	39.8	..	..	24.5	24.5	52.0	62.9	67.1
Motor-cars	..	..	..	0.1	0.3	1.7	10.9	20.4
Watches	44.0	..	..	79.4	172.0	285.9	345.4	489.8
Cameras	..	..	..	..	..	136.7	171.2	..
Eastern Germany								
Radio sets	..	..	*620.9*	*683.2*	*802.3*	*608.0*	604.3	486.2
Television sets	..	..	(33.0)	(38.3)	(40.6)	(38.6)	50.5	100.5
Refrigerators	..	..	(2.4)	(3.2)	(6.2)	(17.3)	14.4	28.3
Sewing machines	..	..	..	..	*100.8*	*141.7*	112.6	101.0
Bicycles	..	..	*363.6*	*705.0*	*552.8*	*590.8*	447.7	358.3
Motor cycles	..	..	*31.6*	*44.8*	*48.6*	*94.2*	171.5	202.4
of which : Power-assisted bicycles	..	..	..	..	..	..	84.1	93.8
Motor-cars	..	..	*9.1*	*6.3*	*8.0*	*14.2*	13.9	21.5
Watches	..	..	*1363*	*1411*	*1601*	*1382*	1191.0	1051.0
Cameras	..	..	*199.7*	*344.8*	*671.9*	*707.5*	593.3	417.0
Hungary								
Radio sets	..	78.4	106.2	119.0	183.1	192.7	244.1	256.0
Bicycles	..	130.9	96.9	92.8	125.6	148.3	166.2	212.0
Motor cycles	..	4.7	7.4	8.8	13.4	7.2	20.7	29.4
Sewing machines	..	3.2	1.6	1.6	2.7	10.4	14.0	21.8
Washing machines	..	..	..	..	..	..	22.0	55.0
Poland								
Radio sets	(116)	(156)	(213)	(267)	307	483.9	558.8	714.8
Television sets	—	—	—	—	—	—	8.5	19.9
Refrigerators	—	—	—	—	—	2.1	9.8	10.6
Sewing machines	—	—	(4)	(9)	18	50.2	120.1	156.2
Washing machines	—	—	—	—	..	29.7	64.7	140.7
Vacuum cleaners	—	—	—	—	..	6.7	22.9	48.3
Bicycles	(99)	(110)	(110)	(140)	155	224.6	359.4	426.9
Motor cycles	(15)	(18)	(6)	(14)	18	29.1	48.2	74.6
Cameras	—	—	..	..	..	33.0	90.8	133.6
Soviet Union								
Radio sets	992	1197	1247	1607	2836	3474	3561	3337
Television sets	12	54	68	122	287	483	522	592
Refrigerators	1.2	14.5	28	49.5	88	144	214	291
Sewing machines	510	674	823	1061	1366	1647	1989	2319
Vacuum cleaners	6	14	18.5	43	126	121	177	237
Washing machines	0.3	3.2	6.1	3.6	44	83	201	356
Bicycles	684	1304	1668	1916	2365	2801	2664	2991
Motor cycles	113	110	85	134	185	216	262	293
Motor-cars	23	16	16	38	53	64	..	..
Cameras	234	325	425	471	750	971	1113	1258
Watches	1419	2231	2721	4110	5350	7732	..	..

Sources : National statistics.

[a] 1949 figures for Czechoslovakia.

NOTE.—Figures in brackets are production data (foreign trade being of little importance) and those in italics are production data adjusted for foreign trade. Otherwise data generally represent deliveries to retail shops.

TABLE IV

Retail trade turnover by sector and by composition in eastern Europe and the Soviet Union

Billions of national currency in current prices

	1949	1950	1951	1952	1953	1954	1955	1956	1957
Bulgaria									
State	..	4.5	4.7	6.0	6.4	7.0	7.3	8.0	9.0
Co-operative	..	4.2	4.3	5.5	5.8	6.4	6.9	7.1	7.6
Private	..	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total (excluding peasant market)	..	*9.2*	*9.2*	*11.6*	*12.3*	*13.5*	*14.3*	*15.2*	*16.7*
Food	..	..	..	..	5.7	5.9	6.7	7.1	7.6
of which : Public catering	..	..	..	..	2.0	2.2	2.4	2.6	3.0
Non-food	..	..	..	..	6.5	7.6	7.6	8.1	9.1
Czechoslovakia									
State	26.2	..	..	..	51.6	55.2	58.1	61.6	65.1
Co-operative	6.6	..	..	..	14.0	17.6	20.0	21.7	23.9
Private	8.2	..	..	..	0.4	0.2	0.2	0.2	0.2
Total (excluding peasant market)	*41.0*	..	..	..	*66.0*	*73.0*	*78.3*	*83.5*	*89.2*
Food	17.1	..	..	..	38.7	42.8	45.9	47.7	49.0
of which : Public catering	..	..	..	..	8.5	9.8	10.6	11.2	11.9
Non-food	23.9	..	..	..	27.3	30.2	32.4	35.8	40.2
Eastern Germany									
State	..	4.6	7.3	10.0	10.7	10.5	11.3	11.6	12.1
Co-operative	..	3.6	4.6	5.8	8.2	9.3	10.2	11.1	12.2
Private	..	9.1	9.5	9.2	8.5	9.9	10.1	9.9	10.5
Total (excluding peasant market)	..	*17.3*	*21.4*	*25.0*	*27.4*	*29.7*	*31.6*	*32.6*	*34.8*
Food	..	10.6	12.9	15.3	16.8	17.6	18.2	18.8	19.7
of which : Public catering	..	2.2	2.4	2.7	3.0	3.1	3.3	3.3	3.6
Non-food	..	6.7	8.5	9.7	10.6	12.1	13.4	13.8	15.1
Total turnover on peasant markets	..	—	—	—	—	0.05	0.08	0.11	0.13
Hungary									
State	..	..	..	24.3	28.7	31.3	31.4	33.2	36.7
Co-operative	..	..	..	6.2	7.6	10.2	12.1	14.6	15.4
Private	..	..	..	1.3	—	0.3	0.5	0.5	0.8
Total (excluding peasant market)	..	..	..	*31.8*	*36.3*	*41.8*	*44.0*	*48.3*	*52.9*
Food	..	..	..	18.0	21.1	22.2	23.4	24.5	26.0
of which : Public catering	..	..	..	4.8	5.7	7.0	7.2	7.1	8.8
Non-food	..	..	..	13.8	15.2	19.6	20.6	23.8	26.9
Poland									
State	} 26.9	46.5	58.8	70.4	107.8	119.9	62.4	74.7	91.6
Co-operative							66.5	73.0	88.5
Private	19.4	9.5	5.9	5.5	4.0	4.0	3.6	3.2	7.6
Total (excluding peasant market)	*46.3*	*56.0*	*64.7*	*75.9*	*111.8*	*123.9*	*132.5*	*150.9*	*187.7*
Food [a] [b]	..	..	..	..	52.3 [c]	57.7 [c]	62.6	71.1	82.5
of which : Public catering [a]	..	..	..	..	7.4	8.6	9.5	10.8	12.3
Non-food [a] [b]	..	..	..	..	48.0 [c]	54.1 [c]	59.6	70.6	90.5
Rumania									
State	6.5	8.1	9.5	9.4	12.1	14.3	18.4	20.5	23.6
Co-operative	1.9	4.2	6.1	5.9	7.0	7.7	9.4	10.1	11.2
Private	4.0	1.6	1.8	0.4	0.5	0.8	0.8	0.9	0.8
Total (excluding peasant market)	*12.4*	*13.9*	*17.4*	*15.7*	*19.6*	*22.8*	*28.6*	*31.5*	*35.6*
Food [a]	..	..	..	..	..	..	13.6	14.7	16.4
of which : Public catering [a]	..	..	..	..	..	..	3.6	3.6	4.2
Non-food [a]	..	..	..	..	..	..	14.2	15.9	18.4
Total turnover on peasant markets	1.5	2.3	..	..	..	..	5.6	6.1	6.1
Soviet Union									
State	..	261.1	274.0	284.9	308.7	335.7	347.3	380.6	433.0
Co-operative	..	98.5	105.8	108.7	122.0	146.2	154.6	166.8	192.0
Total (excluding peasant market)	..	*359.6*	*379.8*	*393.6*	*430.7*	*481.9*	*501.9*	*547.4*	*625.0*
Food	..	210.0	219.5	225.5	237.3	264.1	275.5	299.4	337.5
of which : Public catering [d]	..	47.4	50.2	53.4	57.1	60.0	58.8	60.4	63.1
Non-food	..	149.6	160.3	168.1	193.4	217.8	226.4	248.0	287.5
Total turnover on peasant markets	..	49.2	50.8	53.7	48.8	49.0	48.9	42.4	37*
Total (including peasant market)	..	*408.8*	*430.6*	*447.3*	*479.5*	*530.9*	*550.8*	*589.8*	*662*

Sources : National statistics, direct communications from governments; *Dezvoltarea economiei RPR*, Bucharest, 1958; and *Vestnik Statistiki*, No 8, 1958.

NOTE.—Tobacco is under " food " in eastern Germany and Hungary, under " industrial products " elsewhere.

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[a] Excluding private trade.

[b] Excluding direct sales by wholesalers and producers and remuneration in kind, all included in total turnover.

[c] Excluding " factory shops ", included in total turnover.

[d] Including some 5 per cent " non-food " (mainly tobacco).

TABLE V

Retail turnover of manufactured goods in four eastern European countries

Millions of national currencies at current prices

Country and commodity	1953	1954	1955	1956
Bulgaria [a]				
Textiles	1 088	1 565	1 822	2 300
of which : Cotton	353	509	567	670
Woollen	202	299	322	423
Other	533	757	933	1 207
Footwear	356	410	458	528
Tobacco	354	328	353	375
Fuels	185	190	230	276
Household goods	63	71	74	86
Radios	27	89	89	100
Furniture	138	183	226	253
Wooden building materials	102	103	144	151
Other manufactures	2 419	3 219	3 219	3 643
All non-food	4 732	6 158	6 615	7 712

Country and commodity	1954	1955	1956
Czechoslovakia			
Clothing and footwear	12 546	12 444	13 205
Household goods	2 451	2 664	2 892
Books, stationery, cultural goods	1 663	1 755	1 882
Health	846	878	941
Transport and sporting equipment	788	1 034	1 498
Building materials	671	815	906
Fuel	1 779	1 881	1 986
Tobacco	2 626	2 790	2 996
Agricultural tools	759	940	1 150
Other manufactures	5 047	6 144	7 387
All non-food	29 176	31 345	34 843

Country and commodity	1950	1951	1952	1953	1954	1955	1956	1957
Eastern Germany								
Shoes	410	513	628	726	819	897	838	871
Textiles and clothing	2 788	3 886	4 750	5 073	5 641	5 852	5 587	5 985
Other manufactures	3 512	4 061	4 298	4 796	5 683	6 596	7 386	8 231
All manufactures	6 710	8 460	9 676	10 595	12 143	13 345	13 811	15 087

Country and commodity	1952	1953	1954	1955	1956	1957
Hungary						
Clothing and footwear	8 163	8 768	11 246	11 062	12 963	13 855
of which :						
Cotton cloth	1 862	1 692	2 090	1 699	1 660	2 101
Woollen and staple cloth	740	733	1 136	1 104	1 135	1 421
Silk cloth	217	183	289	274	314	..
Men's ready-made outerwear	659	747	1 079	999	1 117	1 455
Women's ready-made outerwear	316	313	498	509	532	747
Children's ready-made outerwear	304	366	472	560	625	789
Ready-made underwear	462	459	679	648	692	944
Knitwear	607	790	1 040	1 180	1 274	2 437
Hosiery	328	383	483	483	533	
Leather footwear	1 264	1 302	1 660	1 642	1 894	1 942
Other manufactures	5 586	6 465	8 326	9 477	10 844	13 055
of which :						
Building materials	169	188	687	880	832	1 738
Furniture	116	147	268	495	529	676
Metal durables	503	568	805	1 065	1 329	2 000
Other metal goods	791	742	1 082	1 224	1 559	1 813
Agricultural tools and implements	55	58	226	230	263	310
Fertilizers and insecticides	37	47	174	173	153	375
Fuel	675	898	1 090	1 050	1 150	1 194
Books, paper, stationery	419	475	542	591	622	792
Pharmaceuticals	520	626	753	798	829	948
Chemicals	1 105	1 205	1 230	1 300	1 316	1 570
Glass and porcelain	195	190	238	266	240	..
All manufactures	13 749	15 233	19 572	20 539	23 807	26 910

Sources : National statistics.

[a] In 1956 prices.

NOTE.—The detailed commodity break-down is generally based on deliveries to shops and not on actual retail sales. This tends somewhat to underestimate sales in years of destocking (1956) and to overestimate them in years of restocking (1957) in retail trade.

TABLE VI

Retail turnover of manufactured goods in the Soviet Union

Millions of current roubles

Commodity or commodity-group	1937	1940	1950	1954	1955
Textile piece-goods	8 163	11 280	39 498	50 575	45 656
of which : Cotton cloth	5 679	7 614	24 473	28 273	25 427
Ready-made clothing	7 105	11 479	23 228	40 054	43 484
Knitwear and stockings	2 351	3 583	8 157	13 609	13 900
Shoes	5 089	6 396	17 814	24 337	24 095
Soap and perfumery	2 730	3 834	6 143	6 329	6 357
Haberdashery	2 165	3 094	6 398	9 422	10 348
Tobacco and matches	3 847	5 548	11 129	12 169	12 952
Kerosene	780	1 115	1 604	1 515	1 563
Furniture	1 188	1 972	2 243	6 081	6 850
Pots and pans, china and glassware	2 034	2 506	3 911	6 478	7 070
Cultural goods [a]	4 813	5 411	9 931	16 219	18 426
Other non-food [b]	6 196	8 327	19 547	31 150	35 929
of which : Glass	..	100	3 325	447	463
Timber and building materials	..	435		7 630	8 585
Total non-food sales	46 461	64 545	149 603	217 938	226 603

Source : Sovetskaya torgovlya, 1956.

[a] Includes books, newspapers, toys, radios, musical instruments, watches, sports goods, bicycles, motor-cars, etc.

[b] Mainly producers' goods.

TABLE VII

Output per man-hour [a] and wage costs [a] by industrial sectors in western Europe

Index numbers 1953 = 100

Country	Industry [b]					Mining					Metal-using					Textiles					Chemicals				
	1954	1955	1956	1957	1958 [c]	1954	1955	1956	1957	1958 [c]	1954	1955	1956	1957	1958 [c]	1954	1955	1956	1957	1958 [c]	1954	1955	1956	1957	1958 [c]
Austria																									
Production	114	133	138	146	151	109	116	120	127	125	118	156	156	159	175	111	117	123	128	121	117	126	129	142	147
Employment	103	110	113	116	115	100	101	102	105	105	104	115	119	121	121	102	105	108	112	105	107	114	118	118	120
Working hours per man	102	105	105	105	105	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Output per man-hour	108	115	116	120	124	*109*	*115*	*118*	*121*	*120*	*113*	*136*	*131*	*132*	*145*	*109*	*112*	*114*	*115*	*115*	*109*	*111*	*109*	*120*	*122*
Earnings	108	113	118	124	131	..	..	..	..	..	103	116	119	125	..	102	106	113	116	..	107	120	124	137	..
Wage costs	100	98	102	104	106	..	..	..	..	..	*92*	*85*	*91*	*95*	..	*94*	*95*	*99*	*101*	..	*97*	*109*	*114*	*114*	..
Belgium																									
Production	106	116	123	123	115	97	100	100	98	92	107	125	135	135	127	105	109	117	121	93	117	119	129	127	129
Employment	96	101	103	105	103	96	92	92	91	94	101	107	113	119	109	98	96	94	95	86	104	108	110	111	113
Working hours per man	99	100	99	94	87	98	100	96	93	..	99	99	97	92	92	99	99	101	97	89	100	98	97	94	95
Output per man-hour	107	115	121	124	128	104	108	113	115	..	106	118	124	122	126	108	114	124	131	122	112	112	121	122	121
Earnings	103	105	113	124	129	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Wage rates	..	..	..	..	..	102	104	113	130	134	101	102	120	126	131	102	104	119	131	131	..	..	..	..	..
Wage costs	96	92	94	100	101	98	96	100	113	..	95	86	97	103	104	94	91	96	100	110	..	..	..	..	..
Denmark																									
Production	109	111	113	117	117	—	—	—	—	—	117	121	124	127	128	96	91	92	106	96	109	110	113	116	120
Man-hours worked	104	103	101	103	103	—	—	—	—	—	114	118	115	116	117	93	81	77	81	71	..	..	..	..	..
Output per man-hour	105	108	112	113	114	—	—	—	—	—	102	102	108	110	109	104	112	119	131	135	..	..	..	..	..
Earnings	105	110	118	124	130	—	—	—	—	—	104	109	117	125	130	105	109	119	126	131	105	109	119	125	129
Wage costs	100	101	105	110	114	—	—	—	—	—	101	106	110	113	119	101	97	100	96	97	..	..	..	..	..
Finland																									
Production	114	127	130	134	126	110	127	135	147	145	114	127	129	133	123	114	132	141	133	104	118	127	137	152	144
Employment	103	106	108	105	99	..	..	..	..	..	102	107	111	109	104	101	102	107	105	86	107	113	117	117	114
Working hours per man	99	99	100	98	95	..	..	..	..	..	100	99	101	99	95	103	103	103	100	90	95	92	94	92	90
Output per man-hour	112	121	121	130	134	..	..	..	..	..	112	119	116	123	124	110	126	128	127	135	116	122	125	141	141
Earnings	102	107	119	125	131	107	115	130	140	152	103	107	118	123	130	101	106	120	123	125	..	..	..	..	..
Wage costs	91	88	99	96	98	..	..	..	..	..	93	90	102	100	105	92	84	94	97	93	..	..	..	..	..
France																									
Production	110	120	133	145	154	103	109	110	115	118	111	124	145	156	170	106	101	110	121	119	114	132	143	157	180
Employment	100	101	103	106	108	97	94	92	92	91	102	105	108	112	114	98	93	91	93	91	103	105	106	108	110
Working hours per man	101	101	103	103	102	100	99	99	99	99	102	103	104	104	103	101	100	103	105	101	101	101	101	102	102
Output per man-hour	108	117	126	132	140	106	117	121	126	131	108	115	130	133	144	106	109	117	124	130	110	125	133	143	161
Wage rates	107	115	124	134	150	101	108	120	139	150	106	113	124	135	150	106	114	122	130	147	107	117	126	135	153
Wage costs	98	98	99	102	107	95	93	99	110	115	98	99	96	101	104	100	105	104	105	113	98	93	95	95	95
Western Germany																									
Production	112	128	138	147	151	104	111	116	120	116	118	143	159	165	176	107	116	124	128	121	114	129	141	157	171
Employment	105	114	121	124	124	99	99	100	102	100	109	124	135	144	147	101	104	106	106	102	107	114	122	125	128
Working hours per man	100	100	98	93	91	97	97	97	92	90	101	101	98	91	90	99	99	98	93	89	101	100	98	94	92
Output per man-hour	105	112	116	126	133	108	115	120	126	129	107	114	119	127	134	106	113	118	128	133	106	113	119	133	144
Earnings	103	109	119	133	143	102	110	124	134	141	102	108	118	125	133	102	107	117	128	141	102	107	118	126	134
Wage costs	97	98	103	106	107	95	96	103	106	109	95	94	99	99	100	96	95	99	100	106	96	95	99	94	92

Italy																									
Production	109	120	128	136	139	110	123	140	156	157	103	116	127	138	144	103	94	100	110	107	123	135	149	157	169
Employment	101	102	104	105	103	94	90	87	86	81	102	106	112	116	114	97	91	89	87	84	105	109	113	119	..
Working hours per man	101	100	99	100	100	100	101	98	97	96	101	101	98	98	96	102	97	100	103	99	101	100	98	98	..
Output per man-hour	107	117	124	129	135	117	136	163	186	202	100	108	115	121	131	104	106	113	123	128	116	124	135	135	..
Earnings	103	109	116	120	125	104	110	119	123	134	102	107	115	119	125	103	110	114	117	120	104	110	116	122	..
Wage costs	97	94	94	93	93	89	81	73	66	66	102	99	100	98	95	99	104	101	95	94	89	89	86	91	..
Netherlands																									
Production	110	118	123	126	126	100	101	102	105	110	119	133	139	137	137	107	109	112	112	109	110	117	123	133	136
Employment	104	106	109	109	106	102	101	101	102	105	106	112	116	116	113	102	102	102	102	96	107	112	116	118	120
Man-hours worked	104	106	109	109	106	102	101	99	96	100	106	112	116	115	..	102	102	102	102	96	106	111	115	117	119
Output per man-hour	106	111	113	116	119	98	100	103	109	110	112	119	120	119	..	105	107	110	110	113	104	105	107	114	114
Earnings	117	121	131	146	153	112	119	127	145	155	115	118	129	142	..	116	118	131	144	..	117	122	133	147	..
Wage costs	110	109	116	126	129	114	119	123	133	141	102	99	108	119	..	111	111	119	131	..	112	116	124	129	..
Norway																									
Production	109	117	123	126	123	101	110	123	124	123	108	121	124	125	123	100	98	105	110	95	124	124	129	131	120
Employment	102	104	105	105	102	100	103	105	103	97	103	107	109	111	110	99	94	94	93	82	108	110	113	113	111
Output per worker	*107*	*112*	*117*	*120*	*121*	*101*	*107*	*117*	*120*	*127*	*105*	*113*	*113*	*113*	*112*	*101*	*104*	*111*	*118*	*116*	*115*	*113*	*114*	*116*	*108*
Earnings	105	111	120	127	132	105	110	121	129	133	106	112	122	131	136	105	109	118	124	128	104	109	115	124	127
Wage costs	*98*	*99*	*102*	*106*	*110*	*104*	*103*	*103*	*108*	*105*	*101*	*99*	*108*	*116*	*122*	*104*	*104*	*107*	*106*	*110*	*91*	*96*	*101*	*108*	*118*
Sweden																									
Production	105	111	115	119	119	91	104	115	120	113	103	109	108	110	109	99	95	96	99	94	..	..	..	..	..
Employment	101	103	104	104	102	97	99	104	106	104	102	106	109	110	107	94	90	88	86	80	101	102	104	104	102
Output per worker	*103*	*107*	*111*	*115*	*117*	*94*	*105*	*111*	*113*	*109*	*101*	*103*	*99*	*100*	*101*	*106*	*105*	*109*	*114*	*117*	..	..	..	..	..
Earnings	104	111	120	128	135	103	111	117	125	133	103	109	117	124	131	104	111	119	127	134	105	114	124	130	137
Wage costs	*101*	*104*	*109*	*112*	*115*	*110*	*105*	*105*	*111*	*122*	*102*	*105*	*118*	*124*	*130*	*99*	*106*	*109*	*111*	*115*	..	..	..	..	..
United Kingdom																									
Production	108	114	114	116	114	101	100	100	100	95	110	121	118	122	120	103	101	99	100	89	110	117	123	127	127
Employment	102	105	105	105	105	99	99	98	99	98	103	108	109	109	110	102	98	96	96	90	102	106	108	109	109
Working hours per man	101	101	100	100	99	..	..	..	..	..	101	102	101	100	100	100	99	99	99	97	101	102	101	101	100
Output per man-hour	105	108	108	110	110	*102*	*102*	*102*	*101*	*97*	105	110	108	111	110	101	103	104	105	102	107	109	113	116	116
Earnings	106	114	124	131	138	105	112	122	131	131	106	115	124	130	138	106	112	119	127	133	105	115	123	131	137
Wage costs	101	106	114	119	126	103	110	120	130	135	101	104	115	117	125	104	109	114	121	130	99	105	109	113	118
Yugoslavia																									
Production	..	100	110	129	142	..	100	113	120	128	..	100	108	129	142	..	100	105	120	131	..	100	121	143	173
Employment	..	100	107	114	125	..	100	106	108	109	..	100	105	113	127	..	100	105	116	129	..	100	120	124	160
Output per worker	..	*100*	*103*	*113*	*114*	..	*100*	*107*	*111*	*117*	..	*100*	*103*	*114*	*112*	..	*100*	*100*	*104*	*102*	..	*100*	*101*	*115*	*108*
Earnings	..	100	109	122	126	..	100	..	..	..	..	100	103	116	122	..	100	106	116	119	..	100	102	115	121
Wage costs	..	*100*	*106*	*108*	*111*	..	*100*	..	..	..	..	*100*	*100*	*102*	*109*	..	*100*	*106*	*112*	*117*	..	*100*	*101*	*100*	*112*

Sources and methods : See Appendix B.

NOTE. — Output per man-hour has been obtained by deflating production index numbers by an index of man-hours either worked or paid. Wage costs have been arrived at by dividing index numbers of hourly earnings or wage rates into index numbers of output per man-hour. As the series used for this computation are based on inquiries which may differ in scope, timing, etc., the data for output per man-hour and wage costs must be considered as approximate only.

[a] In the absence of data relating to hours worked, figures in italics show output and wage costs per worker instead of output and wage rates per man-hour.

[b] Production index numbers for industry refer to mining, manufacturing and public utilities; employment, working hours and wages exclude mining in certain cases, and may include building.

[c] Estimate for the year, based on as many months as were available — generally 10 to 11.

TABLE VIII

The occupied labour force in western Europe 1953 to 1958 by sectors

Thousand persons

		1953	1954	1955	1956	1957	1958 [a]
Austria	Total	3 199	3 249	3 360	3 429	3 477	3 496
	of which : Employees occupied in						
	Agriculture	216	206	199	187	179	164
	Industry	775	846	872	918	937	1 152
	Building	185	208	218	221	215	
	Services	793	808	844	875	904	935
	All industries	1 970	2 068	2 132	2 201	2 235	2 251
Belgium	Agriculture	360	358	356	352	349	347
	Industry	1 375	1 385	1 405	1 432	1 459	1 435
	Building	213	212	225	236	238	213
	Services	1 439	1 458	1 472	1 466	1 461	1 474
	Total	3 387	3 413	3 457	3 486	3 507	3 469
Denmark	Agriculture	498	..	..	477	..	..
	Industry	598	..	..	726	..	..
	Building	141	..	..		..	..
	Services	696	..	..	703	..	..
	Total	1 933	..	..	1 906	..	..
France [b]	Agriculture	..	5 213	..	..	5 039	..
	Industry	..	5 484	..	..	5 713	5 765
	Building	..	1 357	..	..	1 446	1 425
	Services	..	7 114	..	..	7 248	..
	Total	..	19 168	..	..	19 446	19 530
Western Germany	Agriculture	4 564	4 514	4 393	4 296	4 195	4 100
	Industry and building	9 759	10 265	10 889	11 505	11 900	12 020
	of which :						
	Employees occupied in industry	7 384	7 746	8 271	8 796	9 156	9 312
	Employees occupied in building	1 371	1 463	1 600	1 703	1 748	1 711
	Services	7 349	7 608	7 912	8 239	8 545	8 830
	Total	21 672	22 387	23 194	24 040	24 640	24 950
Ireland	Agriculture	460	460	455	445	436	428
	Industry	207	212	216	210	208	281
	Building	84	84	83	82	76	
	Services	431	429	427	424	422	..
	Total	1 182	1 185	1 181	1 161	1 142	..
Italy [c]	Agriculture	7 251	6 843	6 884	6 341	6 260	6 192
	Industry and building	5 428	5 629	6 011	6 086	6 718	6 783
	Services	4 435	4 831	5 275	5 467	5 530	6 036
	Total	17 114	17 303	18 170	17 894	18 508	19 011
Netherlands [d]	Agriculture	529	516	506	497	489	482
	Industry	1 349	1 404	1 432	1 457	1 461	1 442
	Building	285	294	308	322	333	297
	Services	1 812	1 883	1 934	1 987	2 008	2 020
	Total	3 975	4 097	4 180	4 263	4 291	4 241
Norway	Agriculture	377	366	359	358	351	348
	Industry	380	387	394	398	398	390
	Building	125	129	124	116	119	120
	Services	551	560	574	579	591	598
	Total	1 433	1 442	1 451	1 451	1 459	1 456
Sweden	Agriculture	589	569	549	530	522	504
	Industry	1 017	1 027	1 048	1 057	1 057	1 047
	Building	257	262	267	273	275	283
	Services	1 240	1 254	1 271	1 293	1 312	1 332
	Total	3 103	3 112	3 135	3 153	3 166	3 166
United Kingdom [e]	Agriculture	1 071	1 057	1 047	1 021	1 009	994
	Industry	10 179	10 402	10 631	10 667	10 690	10 386
	Building	1 295	1 313	1 339	1 378	1 368	1 345
	Services	10 564	10 671	10 730	10 825	10 847	10 948
	Total	23 109	23 443	23 747	23 891	23 914	23 673

Sources : See Appendix B.

Generally provisional figures.

[b] Including men in compulsory military service.

[c] Results of labour force sample surveys in September 1952, May 1955, April 1956, May 1957 and October 1958 (adjusted to May).

[d] Man-years.

Monthly averages Great Britain only.

Table IX

Structure of industrial production and employment in selected western European countries

Share of each sector in total industrial output and employment in 1953 and 1957

Percentages

Country	Mining				Food, drink and tobacco				Textiles				Metal-making			
	Production		Employment		Production		Employment		Production		Employment		Production		Employment	
	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957
Austria	7.1	6.2	5.3	4.7	11.7	9.8	11.2	11.3	11.7	10.3	11.2	10.5	15.7	17.9	..	..
Belgium	18.8	15.1	14.8	12.9	7.8	7.1	9.6	9.1	14.3	14.2	16.1	14.5	13.5	14.4	..	..
Denmark	—	—	—	—	14.9	14.8	14.5	14.3	8.5	7.8	9.5	7.4	1.1	1.2	..	..
France	8.2	6.6	8.0	7.1	7.7	6.1	8.6	9.2	9.8	8.2	12.8	11.4	7.5	8.0	5.7	5.7
Western Germany	7.0	5.7	8.8	7.5	17.4	16.3	8.8	8.3	9.8	8.6	9.2	8.3	6.7	7.1	6.1	6.2
Italy	3.1	3.5	3.5	2.9	11.9	11.1	5.4	5.9	12.3	9.9	28.3	23.4	8.8	11.7	5.7	5.8
Netherlands	4.4	3.6	5.3	4.8	25.2	23.2	15.0	13.6	10.0	8.9	11.0	10.1	2.7	2.9	..	..
Norway	3.4	3.3	1.6	1.8	9.7	9.0	13.4	13.5	5.1	4.5	6.4	5.7	7.7	10.2	4.8	5.7
Sweden	4.4	4.4	1.9	2.0	13.5	12.7	7.9	7.6	5.4	4.5	7.0	5.5	7.1	8.5	6.4	6.4
United Kingdom	8.0	6.9	8.9	8.4	12.0	11.3	8.5	8.6	7.5	6.4	9.8	8.9	6.3	6.4	5.6	5.6

Country	Metal-using				Chemicals				Other industries			
	Production		Employment		Production		Employment		Production		Employment	
	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957
Austria	23.2	25.3	34.4 [a]	35.4 [a]	8.3	8.1	5.0	5.0	22.3	22.4	32.9	33.1
Belgium	29.3	32.2	27.2 [a]	31.6 [a]	5.3	5.4	5.6	5.9	11.0	11.6	26.7	26.0
Denmark	30.4	33.2	32.4 [a]	36.1 [a]	8.3	8.3	7.1	7.1	36.8	34.7	36.5	35.1
France	25.4	27.4	30.2	32.4	11.1	12.0	5.9	6.1	30.3	31.7	28.8	28.1
Western Germany	25.1	28.3	33.1	36.9	9.6	10.3	4.8	5.0	24.4	23.7	29.2	27.8
Italy	22.2	22.4	31.1	34.6	17.0	19.6	6.6	7.5	24.7	21.8	19.4	19.9
Netherlands	26.9	29.3	33.1 [a]	35.7 [a]	10.7	11.3	4.5	6.1	20.1	20.8	31.1	30.7
Norway	22.6	22.3	26.0	27.3	13.0	13.5	5.7	6.1	38.5	37.2	42.1	39.9
Sweden	29.4	27.1	36.1	38.6	5.5	6.2	3.9	4.1	34.7	36.6	36.8	35.8
United Kingdom	33.6	35.1	35.5	37.1	8.0	8.8	5.0	5.2	24.6	25.1	26.7	26.2

Sources: OEEC, *Definitions and Methods : Indices of Industrial Production*, and national statistics.

[a] Including metal-making industries.

TABLE X. — Balance of payments of western European countries, 1948 to 1957

Millions of dollars at current exchange rates

	1948	1950	1952	1953	1954	1955	1956	1957 [a]	1948	1950	1952	1953	1954	1955	1956	1957 [a]
				Austria [b]								**Belgium**				
1. Exports of goods, f.o.b.	207	332	507	538	610	711	900	1021	1706	1725	2508	2295	2367	2827	3238	3338
2. Imports of goods, f.o.b.	490	482	654	547	653	887	974	1128	1790	1826	2236	2197	2337	2590	2938	3114
3. Trade balance	−283	−150	−147	−9	−43	−176	−74	−107	−84	−101	+272	+98	+30	+237	+300	+224
4. Invisibles, net [c]	+16	+25	+48	+83	+112	+57	+84	+137	−63	−102	−88	−35	−21	+30	+48	+58
of which :																
5. Investment income, net	..	−1	+1	+2	+1	+1	+2	+2	+39	+4	+17	+21	+22	+42	+70	+66
6. Government, n.i.e., net	+14	+21	+39	+44	+59	+24	+1	+5	−7	−6	+13	−8	−23	−5	−20	+2
7. Balance of goods and services	−267	−125	−99	+74	+69	−119	+10	+30	−147	−203	+184	+63	+9	+267	+348	+282
8. Private donations, net	+27	+4	+2	+2	—	..	..	..	+18	+18	+4	+5	+14	+16	+20	+26
9. Official donations, net	+260	+176	+98	+35	+18	−12	−51	−43	+5	+3	+8	+3	+1	—	—	—
10. Private long-term capital, net	..	..	−4	−2	−4	+6	+4	+14	+103	..	..	..	..	..	..	..
11. Official long-term capital, net	+12	−2	−4	−40	−8	−2	+20	+27	+24	−128	−41	+37	+75	+46	−30	+14
12. Short-term capital, monetary gold and balancing item	−32	−53	+7	−69	−75	+127	+17	−28	−3	+310	−155 [e]	−108 [e]	−99 [e]	−329 [e]	−338 [e]	−322 [e]
				Denmark								**France** (*Metropolitan*)				
1. Exports of goods, f.o.b.	580	687	869	910	977	1073	1129	1193	1054	1880	2024	2155	2545	3150	3279	3327
2. Imports of goods, f.o.b.	649	788	885	935	1089	1087	1210	1263 [f]	2288	1958	2643	2494	2724	3064	4087	4276
3. Trade balance	−69	−101	−16	−25	−112	−14	−81	−70	−1234	−78	−619	−339	−179	+86	−808	−949
4. Invisibles, net [c]	+9	−19	+38	+39	+36	+38	+64	+101 [f]	−208	−15	+39	+224	+440	+525	+140	−243
of which :																
5. Investment income, net	−14	−13	−10	−8	−11	−10	−8	−9	+57	−26	−19	−23	−25	+10	+57	+49
6. Government, n.i.e., net	−1	−1	+1	−1	+7	+1	—	..	−26	−29	+205	+419	+517	+576	+439	+290
7. Balance of goods and services	−60	−120	+22	+14	−76	+24	−17	+31	−1442	−93	−580	−115	+261	+611	−668	−1192
8. Private donations, net	—	..	..	..	..	..	..	..	..	+5	+5	−3	+1	−5	−13	−15
9. Official donations, net	+16	+66	+6	+8	+2	+6	+4	..	+715	+528	+300	+338	+498	+402	+95	+73
10. Private long-term capital, net	+3	−1	−11	−2	+6	+6	+5	..	+66	+162	+35	+84	+55	+42	+43	+154
11. Official long-term capital, net	+49	+65	−21	−21	−16	−15	−18	..	+275	−85	−37	−95	−136	−141	−73	−103
12. Short-term capital, monetary gold and balancing item	−8	−10	+4	+1	+84	−21	+26	..	+386	−517	+277	−209	−679	−909	+616	+1083
				Western Germany								**Greece**				
1. Exports of goods, f.o.b.	734	1986	3987	4428	5347	6261	7507	8886	89	85	115	134	161	207	210	223
2. Imports of goods, f.o.b.	1805	2533	3468	3553	4396	5449	6109	7037	337	353	245	226	297	344	420	465
3. Trade balance	−1071	−547	+519	+875	+951	+812	+1398	+1849	−248	−268	−130	−92	−136	−137	−210	−242
4. Invisibles, net [c]	+42	−46	+37	+107	−4	−110	−88	−15	−37	−51	−6	+16	+14	+35	+25	+63
of which :																
5. Investment income, net	..	—	+5	−10	−121	−144	−105	−88	−2	−3	−2	−3	−1	−3	+3	+3
6. Government, n.i.e., net	..	+50	+192	+248	+217	+258	+371	+565	+8	—	+3	—	+2	+19	+21	+20
7. Balance of goods and services	−1029	−593	+556	+982	+947	+702	+1310	+1834	−285	−319	−136	−76	−122	−102	−185	−179
8. Private donations, net	+126	+7	+8	−15	−33	−46	−50	−48	+11	+14	+18	+46	+47	+51	+74	+86
9. Official donations, net	+929	+489	+100	+2	−60	−149	−213	−345	+200	+276	+119	+70	+59	+54	+41	−6
10. Private long-term capital, net	—	..	−4	−22	−84	−66	−2	−8	..	—	..	−1	+5	..	..	..
11. Official long-term capital, net	+46	+109	−153	−369	−38	−52	−111	−138	+39	−2	−10	−9	−7	+1	+16	+20
12. Short-term capital, monetary gold and balancing item	−72	−12	−507	−578	−732	−389	−934	−1295	+35	+31	+9	−30	+18	−4	+54	+79

	1948	1950	1952	1953	1954	1955	1956	1957	1948	1950	1952	1953	1954	1955	1956	1957
	Iceland								**Ireland** [b]							
1. Exports of goods, f.o.b.	61	31	39	44	52	52	63	61	197	199	280	314	319	302	294	346
2. Imports of goods, f.o.b.	71	38	48	63	66	72	79	71	548	440	476	504	498	566	490	492
3. Trade balance	−10	−7	−9	−19	−14	−20	−16	−10	−351	−241	−196	−190	−179	−264	−196	−146
4. Invisibles, net [c]	+3	+2	+1	+14	+12	+11	+6	+1	+202 [d]	+112 [d]	+120 [d]	+114 [d]	+121 [d]	+123 [d]	+123 [d]	+122 [d]
of which :																
5. Investment income, net	—	—	−1	−1	−1	−1	−1	−1	..	..	..	..	..	..	..	..
6. Government, n.i.e, net	—	—	+4	+17	+17	+17	+13	+8	+14	+10	+11	+11	+10	..	..	..
7. Balance of goods and services	−7	−5	−8	−5	−2	−9	−10	−9	−149	−129	−76	−76	−58	−141	−73	−24
8. Private donations, net	—	—	—	—	—	—	—	—	+32	+28	+28	+31	+31	+31	+32	+34
9. Official donations, net	—	+8	+5	+6	+1	—	—	—	—	—	—	—	—	—	—	—
10. Private long-term capital, net	+1	—	—	—	—	—	..	..	..	..	..	..	..	..	..	..
11. Official long-term capital, net	+3	+5	+2	+2	−3	+3	+5	+8	−12	+59	+31	+3	—	+3	+49	−8
12. Short-term capital, monetary gold and balancing item	+3	−8	+1	−3	+4	+6	+5 [e]	+1 [e]	+129 [d]	+42 [d]	+17 [d]	+42 [d]	+27 [d]	+107 [d]	−8 [d]	−2 [d]
	Italy								**Netherlands**							
1. Exports of goods, f.o.b.	1179	1244	1427	1512	1583	1800	2083	2470	1005	1370	2022	2116	2327	2595	2741	2979
2. Imports of goods, f.o.b.	1503	1364	2182	2248	2220	2477	2815	3207	1617	1826	1860	2071	2561	2761	3238	3439
3. Trade balance	−324	−120	−755	−736	−637	−677	−732	−737	−612	−456	+162	+45	−234	−166	−497	−460
4. Invisibles, net [c]	−20	+70	+154	+321	+420	+462	+461	+584	+184	+175	+330	+332	+323	+419	+338	+354
of which :																
5. Investment income, net	−12	−16	−13	−6	−12	−18	−26	−25	+50	+35	+60	+61	+78	+84	+65	+64
6. Government, n.i.e., net	+14	+25	+58	+123	+172	+176	+129	+156	−63	−40	−11	−9	−31	−7	−16	−16
7. Balance of goods and services	−344	−50	−601	−415	−217	−215	−271	−153	−428	−281	+492	+377	+89	−253	−159	−106
8. Private donations, net	+132	+82	+89	+116	+111	+139	+191	+232	−2	+2	+9	+30	+10	+10	+4	+2
9. Official donations, net	+285	+190	+159	+86	+46	+15	−20	−29	+208	+300	+51	+13	−4	−19	−18	−19
10. Private long-term capital, net	+3	+29	+22	+26	+55	+95	+143	+94	+10	+27	+20	+8	+71	−19	−21	+45
11. Official long-term capital, net	+131	−24	−15	−28	+15	+55	−12	+58	+61	+11	−46	−67	−139	−65	−10	−31
12. Short-term capital, monetary gold and balancing item	−207	−227	+346	+215	−10	−89	−31	−202	+151	−59	−526	−361	−27	−160	+204	+109
	Norway								**Portugal** (*Escudo area*)							
1. Exports of goods, f.o.b.	440	413	592	533	604	659	799	831	196	227	275	306	327	343	372	366
2. Imports of goods, f.o.b.	709	646	834	874	984	1050	1158	1222	433	282	328	321	341	393	443	494
3. Trade balance	−269	−233	−242	−341	−380	−391	−359	−391	−237	−55	−53	−15	−14	−50	−71	−128
4. Invisibles, net [c]	+103	+105	+227	+199	+201	+253	+346	+404	+17	+22	+27	+29	+33	+26	+44	+44
of which :																
5. Investment income, net	−12	−9	−9	−10	−13	−18	−25	−26	+4	+4	+2	+3	+4	+3	+2	+3
6. Government, n.i.e., net	−4	−1	+5	+6	+15	+20	+8	+7	..	..	+4	+3	+4	+4	+6	+3
7. Balance of goods and services	−166	−128	−15	−142	−179	−138	−13	+13	−220	−33	−26	+14	+19	−24	−27	−84
8. Private donations, net	+6	+3	+3	+5	+5	+9	+6	+6	+26	+25	+10	+17	+16	+20	+31	+49
9. Official donations, net	+41	+160	+10	+8	+5	−2	−1	−2	—	+13	+3	—	+2	—	+4	—
10. Private long-term capital, net	+21	+18	−12	+28	+53	+77	+55	+26	+6	+2	+3	+3	+1	+1	—	+2
11. Official long-term capital, net	+70	+36	−14	—	+20	+41	−5	−16	−10	+9	+7	+4	+2	+14	+15	+12
12. Short-term capital, monetary gold and balancing item	+28	−89	+28	+101	+96	+13	−42	−27	+198	−16	+3	−38	−40	−11	−23	+21

TABLE X. — **Balance of payments of western European countries, 1948 to 1957** (*concluded*)

Millions of dollars at current exchange rates

	1948	1950	1952	1953	1954	1955	1956	1957 [a]	1948	1950	1952	1953	1954	1955	1956	1957 [a]
	Sweden [b]								**Switzerland** [b]							
1. Exports of goods, f.o.b.	1110	1106	1577	1486	1590	1732	1945	2137	799	910	1105	1214	1225	1383	1525	1679
2. Imports of goods, f.o.b.	1379	1188	1738	1579	1778	2004	2209	2428	1163	1056	1212	1176	1309	1572	1858	2069
3. Trade balance	−269	−82	−161	−93	−188	−272	−264	−291	−364	−146	−107	+38	−84	−189	−333	−390
4. Invisibles, net [c]	+157	+113	+197	+167	+164	+197	+247	+283	+258	+220	+264	+297	+331	+343	+362	+345
of which :																
5. Investment income, net	..	+2	+14	+12	+18	+17	+25	+29	..	..	+79	+95	+120	+120	+135	+135
6. Government, n.i.e., net	..	−3	+2	+1	+1	+1	+1	+2	..	..	..	..	..	..	..	..
7. Balance of goods and services	−112	+31	+36	+74	−24	−75	−17	−8	−106	+74	+157	+335	+247	+154	+29	−45
8. Private donations, net	−1	−2	−7	−6	−6	−6	−8	−11	..	..	..	..	..	..	..	..
9. Official donations, net	−24	−13	+8	—	—	—	—	−2	..	..	..	..	..	..	..	..
10. Private long-term capital, net	—	—	+1	−6	−4	+4	−9	+1	+64	−84	−117	−146	−199	−272	−324	−128
11. Official long-term capital, net	−24	+22	−25	+1	+27	−4	−13	−5	−4	−33	+8	−51	−47	−65	−20	−59
12. Short-term capital, monetary gold and balancing item	+161	−38	−13	−63	+7	+81	+47	+25	+46 [g]	+43 [g]	−48 [g]	−138 [g]	−1 [g]	+183 [g]	+315 [g]	+232 [g]
	Turkey								**United Kingdom**							
1. Exports of goods, f.o.b.	197	264	363	396	335	313	305	314	6456	6300	7916	7482	7896	8596	9559	9822
2. Imports of goods, f.o.b.	249	251	489	468	421	438	358	355	7230	6672	8243	8086	8417	9593	9730	10094
3. Trade balance	−52	+13	−126	−72	−86	−125	−53	−41	−774	−372	−327	−604	−521	−997	−171	−272
4. Invisibles, net [c]	−30	−55	−57	−69	−73	−5	+10	−3	+1015	+1293	+806	+974	+1179	+849	+1014	+1112
of which :																
5. Investment income, net	..	−14	−5	−6	−6	−8	−16	..	+359	+431	+255	+207	+221	+188	+311	+280
6. Government, n.i.e., net	..	−2	+1	+2	−2	+52	+69	..	−205	−286	−398	−324	−350	−364	−412	−325
7. Balance of goods and services	−82	−42	−183	−141	−159	−130	−43	−44	+241	+921	+479	+370	+658	−148	+843	+840
8. Private donations, net	+7	+1	—	+1	..	..	+2	..	−137	+14	−42	−11	−17	−50	−42	−101
9. Official donations, net	+1	+55	+53	+48	+45	+51	+81	..	+455	+308	+255	+168	+3	−20	−56	−76
10. Private long-term capital, net	—	—	+8	+7	+8	+3	+2	..	..	..	−420	−504	−588	−364	−504	−728
11. Official long-term capital, net	+5	+17	+1	−11	−5	−3	+1	+105	+568	−39	—	−87	−56	−148	−143	+199
12. Short-term capital, monetary gold and balancing item	+69	−31	+121	+96	+111	+79	−43	−61	−1127 [e]	−1204 [e]	−272	+64	—	+730	−98	−134
	Yugoslavia															
1. Exports of goods, f.o.b.	322	163	252	191	245	264	327	401								
2. Imports of goods, f.o.b.	378	289	394	421	367	470	495	674								
3. Trade balance	−56	−126	−142	−230	−122	−206	−168	−273								
4. Invisibles, net [c]	+6	+6	+13	+2	+11	+29	+46	+51								
of which :																
5. Investment income, net	..	−3	−6	−10	−9	−8	−8	−6								
6. Government, n.i.e., net	−3	−4	−6	−6	−4	−2	+5	..								
7. Balance of goods and services	−50	−120	−129	−228	−111	−177	−122	−222								
8. Private donations, net	+17	+13	+21	+25	+24	+27	+34	+50								
9. Official donations, net	+55	+24	+102	+139	+91	+84	+92	+59								
10. Private long-term capital, net	—	—	—	—	—	—	—	—								
11. Official long-term capital, net	−36	+47	+18	+23	+6	−4	+48	+3								
12. Short-term capital, monetary gold and balancing item	+14	+36	−12	+41	−10	+70	−52	+110								

Sources : Balance of Payments Yearbooks IMF: Latest issued data have been used.

[a] Preliminary data.

[b] Exports f.o.b., imports c.i.f.

[c] Including non-monetary gold.

[d] Non-monetary gold included in "Short-term capital..."

[e] Including private long-term capital.

[f] Non-monetary gold is included in "Imports of goods".

[g] Including donations.

TABLE XI

Balance of payments: six countries combined (France,[a] western Germany, Belgium-Luxembourg,[b] Netherlands, and Italy)

Millions of dollars

Year	Goods and services							Donations			Capital account							Monetary gold	Multilateral settlements	Errors and omissions
	Merchandise			Transport insurance	Travel	Other invisibles	Total	Private	Official	Total	Private			Official and banking institutions			Total capital			
											Long-term	Short-term	Total	Long-term	Short-term	Total				
	Credit	Debit	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net	Net			
	With United States and Canada [c]																			
1952 .	1 175	2 288	−1113	−159	+84	+419	−769	+49	+691	+740	+101	+58	+159	−53	−100	−153	+6	−139	−1	+163
1953 .	1 470	1 877	−407	+1	+126	+716	+436	+72	+497	+569	+81	−55	+26	−161	−672	−833	−807	−296	+29	+69
1954 .	1 534	2 262	−728	+42	+185	+804	+303	+78	+533	+611	+102	+34	+136	−147	−993	−1140	−1004	−277	+299	+68
1955 .	2 002	2 812	−810	+14	+218	+944	+366	+94	+320	+414	..	..	+81	−166	−682	−848	−767	−215	+287	−85
1956 .	2 502	3 790	−1288	−15	+218	+911	−174	+100	−32	+68	..	..	−9	−128	+212	+84	+75	+12	+39	−20
	With EPU																			
1952 .	8 591	8 147	+444	−110	−5	+131	+460	+68	−28	+40	..	..	+62	..	..	−194	−132	−223	−58	−87
1953 .	8 247	8 094	+153	−21	−13	+103	+222	+64	−13	+51	..	..	+118	..	..	−79	+39	−49	−41	−222
1954 .	10 332	9 815	+517	+26	+47	+105	+695	−14	−24	−38	..	..	+93	..	..	−93	−186	−73	−209	−189
1955 .	12 176	11 467	+709	−38	+67	+165	+903	−22	−27	−49	..	..	−225	..	..	−9	−234	−449	−84	−87
1956 .	13 707	12 971	+736	−78	+45	−63	+640	−2	−44	−46	..	..	−79	..	..	+37	−42	−539	+50	−63
	of which: With sterling area																			
1952 .	2 249	2 675	−426	−116	+56	+251	−235	+26	—	+26	−21	+140	+119	−24	+172	+148	+267	−13	−49	+4
1953 .	2 113	2 832	−719	−111	+52	+221	−557	+28	—	+28	−21	+159	+138	−53	−61	−114	+24	—	+240	+265
1954 .	2 416	3 062	−646	−68	+70	+232	−412	+17	−4	+13	−16	−39	−55	−149	+53	−96	−151	−17	+454	+113
1955 .	2 817	3 374	−557	−132	+88	+346	−255	+16	−8	+8	..	..	−34	−46	+19	−27	−61	−120	+336	+92
1956 .	3 122	3 765	−643	−206	+84	+316	−449	+19	−17	+2	..	..	+167	−47	−4	−51	+116	−21	+68	+284
	With the World																			
1952 .	11 959	12 344	−385	−359	+95	+638	−11	+160	+641	+800	..	..	+259	−355	−388	−743	−484	−357	—	+52
1953 .	12 452	12 477	−25	−146	+115	+824	+768	+183	+461	+644	..	..	+160	−488	−512	−1000	−840	−299	—	−273
1954 .	14 169	14 251	−82	−26	+242	+920	+1054	+103	+491	+594	..	..	−1	−320	−840	−1160	−1161	−367	—	−120
1955 .	16 632	16 341	+291	−130	+295	+1100	+1556	+115	+250	+365	..	..	−178	−157	−729	−886	−1064	−664	—	−193
1956 .	18 860	19 212	−352	−295	+273	+793	+420	+142	−128	+14	..	..	−144	−202	+433	+231	+87	−527	—	+7

Sources: Latest available issues of *Balance of Payments Yearbooks*, IMF, Washington, D.C., and for Belgium, national statistics.

[a] Franc area as a whole.

[b] Belgium-Luxembourg data are crude estimates, distribution by areas not being available. Large figures for " Errors and omissions " are explained by the impossibility to estimate some items for Belgium, which, consequently, are included in " Errors and omissions ". These items are the following: in the balance with United States and Canada and with E.P.U., private donations, short-term official capital; in the balance with sterling area, donations, capital and monetary gold.

[c] United States and Canada include, for western Germany, the total dollar-account countries.

TABLE XII

Total imports of selected western European countries by main commodity groups

Millions of current dollars c.i.f., and percentages

Commodity group	SITC code	First nine months of year	Austria	Belgium - Luxembourg	Denmark	France	Western Germany	Italy[a]	Netherlands	Norway	Sweden[a]	Switzerland[a]	United Kingdom	Total of countries listed	Percentage change
Food, beverages, tobacco	Sect. 0, 1	1957	131.8	349.7	140.2	1 004.7	1 486.6	345.0	438.6	103.7	229.0	282.5	3 176.7	7 693.5	
		1958	126.1	346.9	152.6	1 071.7	1 408.8	404.1	422.4	116.4	235.6	269.8	3 072.9	7 627.3	−1
Raw materials	Sect. 2, 4	1957	149.8	604.7	116.0	1 384.4	1 749.8	960.1	516.2	76.7	121.4	175.2	2 508.2	8 362.5	
		1958	121.1	434.5	102.0	1 077.4	1 415.9	742.4	398.6	57.7	106.0	133.5	1 925.4	6 514.5	−22
Fuel	Sect. 3	1957	122.7	337.2	187.6	962.2	653.2	582.6	536.5	114.1	360.0	151.2	1 012.0	5 019.3	
		1958	101.4	311.8	165.4	839.7	565.5	453.7	457.4	89.5	278.3	114.9	897.1	4 274.7	−15
Chemicals	Sect. 5	1957	57.1	150.0	83.5	195.5	164.1	133.7	148.4	46.6	96.7	125.4	236.0	1 437.0	
		1958	61.1	151.9	85.7	173.9	198.3	153.8	146.2	48.5	94.7	120.7	246.3	1 481.1	+3
Textile yarns and manufactures (excluding clothing)	Div. 65	1957	57.7	98.6	73.6	51.5	268.0	39.8	167.9	61.6	120.9	71.1	184.1	1 194.8	
		1958	54.4	82.2	64.3	33.7	272.1	35.9	130.6	45.1	115.6	57.5	172.2	1 063.6	−11
Base metals	Div. 68	1957	45.3	211.4	111.4	320.6	491.5	216.7	298.8	128.2	209.1	203.5	569.6	2 806.1	
		1958	39.7	167.9	90.5	334.0	539.3	166.7	233.0	107.4	167.5	123.4	473.8	2 443.2	−13
Metal-using manufactures (excluding transport equipment)	Div. 69, 71, 72	1957	140.7	327.0	115.1	513.2	236.9	277.6	459.6	137.4	291.4	202.3	347.9	3 049.1	
		1958	165.6	311.9	132.0	458.1	314.2	244.8	402.4	138.2	322.9	182.9	379.3	3 052.3	0
Transport equipment . .	Div. 73	1957	57.7	161.2	88.4	86.8	93.4	37.3	164.5	221.9	182.5	94.9	91.8	1 280.4	
		1958	61.5	179.8	89.8	88.0	126.9	41.4	153.1	299.2	180.3	90.5	100.4	1 410.9	+10
Other commodities . .	Sect. 8, 9 Div. 61 to 64, 66, 67	1957	69.6	341.6	91.9	255.4	382.5	117.9	348.2	70.6	203.6	186.9	539.7	2 607.9	
		1958	74.2	319.3	94.4	209.1	570.2	119.7	309.5	69.4	207.5	179.6	545.3	2 698.2	+3
TOTAL IMPORTS . . .		1957	832.4	2 581.4	1 007.7	4 774.3	5 526.0	2 710.7	3 078.7	965.8	1 814.6	1 493.0	8 666.0	33 450.6	
		1958	805.1	2 306.2	976.7	4 285.6	5 411.2	2 362.5	2 653.2	971.4	1 708.4	1 272.8	7 812.7	30 565.8	−9
Percentage change, January-September 1957 to January-September 1958			−3	−11	−3	−10	−2	−13	−14	+1	−6	−15	−10		

Sources : National trade statistics.

NOTE. — Special imports, except for the United Kingdom where general imports were taken.

[a] Not fully comparable with other countries.

Table XIII

Total exports of selected western European countries by main commodity groups

Millions of current dollars f.o.b., and percentages

Commodity group	SITC code	First nine months of year	Austria	Belgium-Luxembourg	Denmark	France	Western Germany	Italy[a]	Netherlands	Norway	Sweden[a]	Switzerland[a]	United Kingdom	Total of countries listed	Percentage change
Food, beverages, tobacco	Sect. 0, 1	1957	28.6	86.3	521.2	531.0	118.2	439.7	620.0	111.8	64.6	64.6	417.4	3 003.4	−2
		1958	33.6	104.5	553.3	467.3	130.9	393.0	636.7	96.7	55.9	66.9	392.3	2 931.1	
Raw materials	Sect. 2, 4	1957	154.5	181.1	55.0	343.7	211.6	81.7	194.5	151.5	611.0	30.7	263.8	2 279.1	−15
		1958	147.7	136.5	54.3	270.5	167.9	65.9	179.6	139.9	527.4	26.0	225.0	1 940.7	
Fuel	Sect. 3	1957	18.8	154.2	1.1	214.9	464.5	134.2	340.1	2.8	2.6	1.8	323.0	1 658.0	−5
		1958	14.5	144.8	0.9	241.1	431.2	138.6	315.1	1.8	2.7	1.9	278.3	1 570.9	
Chemicals	Sect. 5	1957	32.2	164.2	26.0	306.9	668.8	117.5	192.9	50.7	33.6	203.0	562.6	2 358.4	+2
		1958	31.1	176.2	27.9	309.9	692.7	126.0	204.9	50.8	35.9	192.8	547.6	2 395.8	
Textile yarns and manufactures (excluding clothing)	Div. 65	1957	56.3	252.1	10.7	323.8	239.3	252.3	165.8	3.7	9.9	127.3	642.2	2 083.4	−10
		1958	59.7	211.2	13.0	283.6	220.9	237.9	173.8	4.5	9.3	117.1	546.5	1 877.5	
Base metals	Div. 68	1957	156.0	783.0	14.9	563.1	837.4	118.0	142.8	143.6	134.3	18.7	657.0	3 568.8	−11
		1958	127.5	706.7	10.9	517.9	693.2	130.5	158.4	128.5	121.9	20.6	570.8	3 186.9	
Metal-using manufactures (excluding transport equipment)	Div. 69, 71, 72	1957	115.7	275.8	121.9	483.6	2 020.5	277.7	279.2	22.4	324.1	342.6	1 999.7	6 263.2	+4
		1958	112.3	289.4	143.4	522.7	2 133.9	309.4	321.1	32.6	313.4	359.1	1 970.8	6 508.1	
Transport equipment . .	Div. 73	1957	26.3	99.9	32.9	375.4	824.7	200.6	93.3	43.6	172.1	11.9	1 088.7	2 969.4	+14
		1958	21.5	121.8	35.2	417.9	1 027.6	226.2	116.4	19.3	205.7	18.5	1 189.4	3 399.5	
Other commodities . .	Sect. 8, 9 Div. 61 to 64, 66, 67	1957	136.1	383.8	53.7	612.9	879.2	252.3	234.2	76.2	231.8	340.3	1 002.4	4 202.9	−2
		1958	132.1	361.2	61.0	616.5	918.3	247.1	235.2	73.6	223.7	317.0	948.5	4 134.2	
TOTAL EXPORTS . . .		1957	724.5	2 380.4	837.4	3 755.3	6 264.2	1 874.0	2 262.8	606.3	1 584.0	1 140.9	6 956.8	28.386.6	−2
		1958	680.0	2 252.3	899.9	3 647.4	6 416.6	1 874.6	2 341.2	547.7	1 495.9	1 119.9	6 669.2	27.944 7	
Percentage change, January-September 1957 to January-September 1958			−6	−5	+7	−3	+2	0	+3	−10	−6	−2	−4		

Sources : National trade statistics.

NOTE. — Special exports for all countries.

[a] Not fully comparable with other countries.

APPENDI

Exports of selected European countries and the United State

Millions of dollars

Area of destination and period / Exporting country and commodity group	North America		of which: United States		of which: Canada		Latin America		Overseas Sterling Area		of which: British overseas territories [a]		of which: Union of South Africa		of which: Other in Africa [a]		of which: Other in Asia		of which: Other in Oceania		Affiliated overseas territories [b] [c]	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957
UNITED KINGDOM																						
1. Food, drink and tobacco	104.7	112.9	85.8	90.9	18.9	22.0	14.4	18.1	205.8	188.1	135.4	120.4	7.3	7.7	19.3	19.6	25.1	21.4	18.7	19.0	7.5	5.7
2. Mineral fuels and petroleum products	2.1	2.7	0.1	0.7	2.0	2.0	2.1	2.2	33.2	28.9	14.1	11.5	3.1	3.3	2.3	1.8	10.3	8.9	3.4	3.4	21.3	18.5
3. Metallic ores and base metals	74.4	78.5	33.2	37.8	41.2	40.7	30.0	49.1	202.0	220.0	58.6	67.9	12.4	18.8	13.3	12.7	56.0	52.9	61.7	67.7	2.6	2.2
of which: Iron and steel	*42.6*	*41.3*	*10.0*	*7.7*	*32.6*	*33.6*	*25.4*	*41.8*	*165.5*	*179.4*	*50.0*	*59.3*	*9.0*	*14.4*	*11.8*	*11.1*	*44.4*	*41.6*	*50.3*	*53.0*	*2.1*	*1.7*
4. Oil-seeds, fats and oils	1.8	2.3	1.0	1.1	0.8	1.2	0.6	0.6	5.8	6.4	2.9	2.3	0.8	1.0	0.3	0.3	0.5	1.4	1.3	1.4	0.1	0.1
5. Textile fibres, natural	39.4	38.5	24.8	23.0	14.6	15.5	1.4	1.6	22.5	23.5	2.3	1.8	1.8	2.0	0.2	0.2	17.2	18.1	1.0	1.4	0.1	0.2
6. Selected construction materials	16.6	11.6	6.4	3.8	10.2	7.8	6.2	5.7	69.0	62.2	31.6	30.7	6.5	5.3	7.4	6.3	10.0	9.1	13.5	10.8	1.3	1.2
7. Other raw materials	8.1	5.8	5.8	4.5	2.3	1.3	0.5	0.4	11.0	10.8	4.1	3.9	1.2	1.2	0.4	0.6	2.3	2.0	3.0	3.1	0.3	0.3
8. Metal manufactures	25.3	28.4	10.9	11.8	14.4	16.6	12.3	14.2	164.8	158.2	48.7	50.4	20.5	15.6	11.6	10.9	48.2	50.0	35.8	31.3	3.1	3.5
9. Power-generating (except electric) machinery	15.7	18.5	4.9	7.3	10.8	11.2	9.8	10.9	93.8	90.5	18.8	20.0	15.5	13.2	5.1	4.9	29.2	29.3	25.2	23.1	2.5	2.0
10. Agricultural machinery	2.1	1.9	1.3	1.2	0.8	0.7	1.2	2.0	12.6	10.1	2.3	2.1	1.7	1.6	0.7	0.7	0.8	0.8	7.1	4.9	0.7	0.6
11. Metal-working, mining, construction and other industrial machinery	54.0	56.1	24.4	25.3	29.6	30.8	35.9	38.7	271.2	272.5	62.5	64.6	35.7	36.7	17.6	15.3	89.2	82.2	66.2	73.7	8.7	10.2
12. Electric machinery	47.4	53.8	19.9	26.7	27.5	27.1	22.0	25.2	254.5	259.0	65.9	69.8	33.5	37.8	17.2	17.7	69.5	66.1	68.4	67.6	3.2	3.8
13. Tractors	6.6	8.4	4.6	4.5	2.0	3.9	6.9	9.5	40.4	54.0	6.0	6.2	9.2	10.9	2.0	2.3	6.0	7.5	17.2	27.1	2.0	2.5
14. Railway vehicles	5.1	5.4	—	—	5.1	5.4	6.8	7.9	56.7	55.6	11.3	8.4	9.7	14.9	7.2	8.6	14.3	16.3	14.2	7.4	1.4	0.6
15. Road motor vehicles	68.4	128.0	45.6	97.3	22.8	30.7	17.5	32.4	318.9	327.9	91.7	87.7	39.5	58.8	31.3	30.3	38.5	36.0	117.9	115.1	8.0	10.3
16. Other vehicles	74.3	65.8	44.6	18.0	29.7	47.8	37.3	27.1	135.6	114.7	62.7	43.9	2.5	2.6	9.4	5.4	19.3	46.2	41.7	16.6	5.9	4.1
17. Chemicals	44.0	41.3	22.5	19.1	21.5	22.2	38.7	45.5	290.1	320.3	95.3	103.6	30.7	33.2	19.2	22.6	80.0	81.1	64.9	79.8	14.3	15.2
18. Textile manufactures and clothing	142.1	127.0	75.9	62.8	66.2	64.2	27.0	27.7	365.0	363.5	89.3	85.8	58.6	54.8	31.1	32.7	41.4	37.8	144.6	152.4	17.2	18.3
of which:																						
Textile yarns (including synthetic fibres)	*14.0*	*12.1*	*3.7*	*3.5*	*10.3*	*8.6*	*9.8*	*10.7*	*73.1*	*79.0*	*11.5*	*10.0*	*11.5*	*10.2*	*2.3*	*2.6*	*16.3*	*17.1*	*31.5*	*39.1*	*0.2*	*0.2*
Cotton fabrics	*12.0*	*10.5*	*7.0*	*5.0*	*5.0*	*5.5*	*1.2*	*1.4*	*110.0*	*102.6*	*28.4*	*27.3*	*17.4*	*17.6*	*15.0*	*14.6*	*12.1*	*7.5*	*37.1*	*35.6*	*13.0*	*14.7*
Other fabrics	*102.2*	*91.1*	*56.3*	*46.3*	*45.9*	*44.8*	*15.4*	*14.9*	*163.8*	*163.3*	*42.5*	*41.0*	*26.8*	*24.1*	*12.1*	*13.6*	*11.7*	*12.1*	*70.7*	*72.5*	*3.8*	*3.3*
19. Paper, manufactures of wood and paper (excluding furniture)	7.9	5.6	6.3	4.0	1.6	1.6	2.1	2.9	52.8	53.1	12.5	13.2	7.1	7.1	2.5	2.8	6.8	7.5	23.9	22.5	0.4	0.5
20. All other commodities	181.2	168.3	119.5	106.7	61.7	61.6	16.8	22.1	302.9	340.7	131.1	149.0	35.8	40.8	29.1	31.0	41.7	42.6	65.2	77.3	5.3	8.0
of which: Instruments and watches	*3.9*	*4.8*	*2.1*	*2.9*	*1.8*	*1.9*	*1.8*	*1.9*	*26.1*	*26.1*	*6.9*	*7.1*	*3.2*	*3.3*	*1.6*	*1.5*	*6.6*	*6.4*	*7.8*	*7.8*	*0.8*	*0.6*
TOTAL EXPORTS	921.2	960.8	537.5	546.5	383.7	414.3	289.5	343.8	2 908.6	2 960.0	947.1	943.2	333.1	367.3	227.2	226.7	606.3	617.2	794.9	805.6	105.9	107.8
FRANCE																						
1. Food, drink and tobacco	43.9	41.6	37.3	35.5	6.6	6.1	8.9	8.6	25.0	24.3	15.0	10.3	0.5	0.5	1.6	1.7	6.0	10.2	1.9	1.6	210.9	252.2
of which: Cereals and preparations	*0.2*	*0.4*	*0.2*	*0.3*	—	*0.1*	—	*0.1*	*7.0*	*11.1*	*2.3*	*1.7*	—	—	*0.9*	*0.5*	*3.8*	*8.9*	—	—	*24.6*	*45.4*
Fruit and vegetables	*6.1*	*4.4*	*5.6*	*4.1*	*0.5*	*0.3*	*0.3*	*0.5*	*1.6*	*1.4*	*0.7*	*0.6*	*0.2*	*0.2*	—	*0.1*	*0.3*	*0.3*	*0.4*	*0.2*	*22.7*	*30.1*
Beverages	*28.4*	*26.5*	*22.7*	*21.4*	*5.7*	*5.1*	*7.2*	*6.6*	*10.8*	*9.8*	*7.7*	*7.0*	*0.3*	*0.3*	*0.3*	*0.5*	*1.2*	*0.7*	*1.3*	*1.3*	*40.3*	*37.5*
2. Mineral fuels and petroleum products	0.2	0.1	0.2	0.1	—	—	0.1	—	6.9	9.8	5.7	6.5	0.1	0.1	0.9	3.0	—	—	0.2	0.2	53.4	49.7
3. Metallic ores and base metals	33.4	25.5	29.6	22.8	3.8	2.7	27.2	35.0	39.9	34.4	7.8	6.7	5.7	6.1	0.6	0.9	23.0	19.4	2.8	1.3	41.7	53.5
of which: Ores and scrap	*0.2*	*0.8*	*0.2*	*0.8*	—	—	—	—	*0.1*	—	—	—	—	—	—	—	*0.1*	—	—	—	*0.1*	—
Iron and steel	*31.4*	*23.3*	*27.6*	*20.6*	*3.8*	*2.7*	*26.4*	*33.5*	*39.6*	*33.8*	*7.8*	*6.7*	*5.7*	*6.1*	*0.6*	*0.9*	*22.7*	*19.0*	*2.8*	*1.1*	*38.5*	*50.3*
4. Oil-seeds, fats and oils	0.2	1.2	0.2	1.1	—	0.1	0.5	2.6	0.4	0.8	0.2	0.3	—	0.1	—	—	—	—	0.2	0.4	13.7	16.5
5. Textile fibres, natural	8.0	6.2	7.8	6.0	0.2	0.2	2.7	1.8	0.8	0.6	—	—	0.3	0.1	—	—	0.4	0.4	0.1	0.1	1.5	1.2
6. Selected construction materials	4.3	4.6	3.5	4.0	0.8	0.6	2.2	2.5	1.2	1.2	0.4	0.4	0.1	0.1	—	—	0.3	0.2	0.4	0.5	15.8	17.7
7. Other raw materials	6.0	6.1	5.6	5.8	0.4	0.3	1.3	1.4	0.5	0.6	0.1	—	—	—	—	—	0.2	0.1	0.2	0.5	15.1	17.8
8. Metal manufactures	3.4	3.2	3.1	2.6	0.3	0.6	5.6	6.3	4.3	4.0	1.1	1.0	0.3	0.3	0.1	0.2	2.6	2.3	0.2	0.2	40.4	49.8
9. Power-generating (except electric) machinery	0.5	1.0	0.4	0.5	0.1	0.5	3.4	3.2	1.0	3.9	0.1	0.2	0.1	0.1	—	—	0.8	3.6	—	—	9.3	11.8
10. Agricultural machinery	—	—	—	—	—	—	0.1	—	0.2	0.2	0.1	—	0.1	0.1	—	—	—	0.1	—	—	1.6	2.1
11. Metal-working, mining, construction and other industrial machinery	4.1	4.6	3.4	3.1	0.7	1.5	16.0	16.7	7.8	6.3	0.6	1.0	0.9	0.8	0.1	0.2	5.6	3.3	0.6	1.0	36.0	45.9
12. Electric machinery	2.1	1.7	1.9	1.3	0.2	0.4	5.3	4.9	2.2	3.3	0.2	0.3		0.1	—	0.1	1.9	2.6	0.1	0.2	29.0	34.8
13. Tractors	—	—	—	—	—	—	4.4	3.1	—	0.1	—	—	—	—	—	—	—	0.1	—	—	2.8	5.5
14. Railway vehicles	—	—	—	—	—	—	0.5	4.4	4.1	3.3	—	—	—	—	—	—	4.1	3.3	—	—	7.1	7.6
15. Road motor vehicles	6.8	29.0	6.7	28.7	0.1	0.3	6.7	7.5	10.2	13.6	3.3	3.9	2.7	5.5	0.6	1.0	0.8	0.8	2.8	2.4	67.0	90.1
16. Other vehicles	1.2	0.2	1.2	0.2	—	—	10.1	11.5	1.1	8.5	0.1	0.1	—	—	—	—	1.0	8.3	—	0.1	9.6	11.8
17. Chemicals	22.3	22.2	20.1	19.0	2.2	3.2	17.6	22.3	18.2	19.7	4.6	5.0	1.2	1.6	0.2	0.8	9.4	9.1	2.8	3.2	83.3	99.4
18. Textile manufactures and clothing	35.0	29.6	31.4	26.1	3.6	3.5	10.6	9.1	21.0	15.4	3.1	2.9	3.8	3.1	0.3	0.3	7.0	3.9	6.8	5.2	139.2	169.8
of which:																						
Textile yarns (including synthetic fibres)	*6.4*	*2.9*	*6.0*	*2.6*	*0.4*	*0.3*	*6.3*	*4.7*	*9.4*	*5.2*	*0.8*	*0.5*	*1.7*	*0.9*	*0.1*	*0.1*	*5.6*	*3.0*	*1.2*	*0.7*	*7.0*	*6.9*
Cotton fabrics	*1.0*	*0.8*	*0.8*	*0.7*	*0.2*	*0.1*	*0.2*	*0.3*	*1.6*	*1.6*	*0.1*	*0.2*	*0.3*	*0.3*	—	—	*0.2*	*0.1*	*1.0*	*1.0*	*48.4*	*52.3*
Other fabrics	*19.9*	*18.0*	*17.7*	*15.7*	*2.2*	*2.3*	*3.2*	*3.2*	*8.9*	*7.6*	*1.7*	*1.8*	*1.6*	*1.7*	*0.2*	*0.2*	*1.1*	*0.7*	*4.3*	*3.2*	*51.5*	*61.3*
19. Paper, manufactures of wood and paper (excluding furniture)	1.6	1.7	1.2	1.4	0.4	0.3	1.6	1.3	1.6	1.7	0.3	0.3	0.7	1.0	—	—	0.4	0.2	0.2	0.2	20.2	25.9
20. All other commodities	36.6	41.5	31.4	35.4	5.2	6.1	10.0	12.1	11.4	13.6	3.4	4.5	2.3	2.9	0.8	1.0	3.2	3.3	1.7	1.9	118.7	158.9
TOTAL EXPORTS	209.6	220.0	185.0	193.6	24.6	26.4	134.8	154.3	157.8	165.3	46.1	43.4	18.8	22.5	5.2	9.2	66.7	71.2	21.0	19.0	916.3	1122.0

Sources and methods: See Appendix B. NOTE. — *Highly industrialized countries:* Eastern Europe, western Europe, Japan, North America; *semi-industrialized countries:* Argentina, Brazil, Chile, Mexico, Union of South Africa, Oceania,
unallocated exports. [e] Excluding ships' stores. [f] Including ships' stores. [g] Excluding bunkers. [h] Including bunkers.

TABLE XIV

by main commodity groups and by area of destination

1950 prices, f.o.b.

Other overseas countries[c]		of which:								Total overseas countries[d]		of which:		Western Europe		Eastern Europe		Total World		of which:						Group
		In Africa[c]		Japan		China		Other in Asia				Dollar Area								Highly industrialized countries		Semi-industrialized countries		Non-industrialized countries[d]		
1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	
22.6	29.6	11.5	11.7	2.4	2.8	—	3.3	8.7	11.8	355.0	354.4	115.7	125.7	123.4	142.1	2.2	18.1	480.6	514.6	232.7	275.9	37.0	40.1	210.9	198.6	1.
6.2	6.2	1.9	2.2	0.8	0.9	—	—	3.5	3.1	64.9	58.7	2.9	3.6	262.4	224.7	0.1	0.1	327.4	283.5	265.4	228.4	14.9	14.0	47.1	41.1	2.
28.5	30.3	5.6	4.5	3.5	6.6	2.8	1.5	16.6	17.7	337.5	380.1	90.3	102.0	151.7	170.5	34.8	33.8	524.0	584.4	264.4	289.4	134.1	150.4	125.5	144.6	3.
22.9	*22.0*	*4.4*	*4.0*	*1.9*	*2.2*	*2.7*	*1.4*	*13.9*	*14.4*	*258.5*	*286.2*	*56.0*	*62.3*	*77.0*	*92.6*	*0.3*	*6.2*	*335.8*	*385.0*	*121.8*	*142.3*	*108.5*	*118.3*	*105.5*	*124.4*	
1.5	1.1	0.5	0.1	0.1	0.2	—	—	0.9	0.8	9.8	10.5	2.2	2.7	14.2	7.7	0.1	0.7	24.1	18.9	16.2	10.9	2.6	3.1	5.3	4.9	4.
34.2	32.3	2.3	0.5	14.1	15.6	13.3	10.0	4.5	6.2	97.6	96.1	40.5	39.7	96.6	103.1	8.8	11.0	203.0	210.2	158.9	168.2	33.3	31.6	10.8	10.4	5.
6.6	7.1	2.1	0.9	0.2	0.9	—	—	4.3	5.3	99.7	87.8	21.9	15.2	16.8	15.8	0.1	0.1	116.6	103.7	33.7	28.4	25.6	23.2	57.3	52.1	6.
1.9	1.7	0.2	0.3	0.7	0.4	—	0.1	1.0	0.9	21.8	19.0	8.3	6.2	32.1	31.3	0.8	0.4	54.7	50.7	41.7	37.9	6.2	6.1	6.8	6.7	7.
17.6	15.5	5.6	3.1	0.3	0.4	0.2	0.3	11.5	11.7	223.1	219.8	34.5	39.6	85.3	68.7	0.2	0.2	308.6	288.7	111.1	97.7	88.0	83.1	109.5	107.9	8.
21.8	18.7	6.4	3.8	0.4	0.8	0.1	0.1	14.9	14.0	143.6	140.6	22.4	24.8	73.0	79.9	2.0	1.0	218.6	221.5	91.1	100.2	66.2	63.5	61.3	57.8	9.
2.0	1.9	0.4	0.4	0.1	0.3	0.1	—	1.4	1.2	18.6	16.5	2.9	2.9	13.7	13.7	1.7	0.4	34.0	30.6	17.6	16.3	9.9	8.2	6.5	6.1	10.
42.0	43.1	10.5	5.6	3.6	6.5	0.4	0.8	27.5	30.2	411.8	420.6	78.6	84.4	196.6	189.8	9.7	12.7	618.1	623.1	263.9	265.1	190.9	198.5	163.3	159.5	11.
27.2	25.7	7.5	4.3	1.7	1.7	0.4	1.1	17.6	18.6	354.3	367.5	60.9	69.4	106.5	103.1	6.4	7.1	467.2	477.7	162.0	165.7	164.5	168.3	140.7	143.7	12.
6.4	5.4	2.0	1.7	0.1	0.3	1.0	0.2	3.3	3.2	62.3	79.8	10.5	14.0	46.6	50.5	0.1	0.1	109.0	130.4	53.4	59.3	36.5	49.1	19.1	22.0	13.
1.7	2.4	0.7	1.0	0.6	0.7	—	—	0.4	0.7	71.7	71.9	5.3	5.5	15.1	14.1	0.5	0.3	87.3	86.3	21.3	20.5	43.6	45.0	22.4	20.8	14.
31.9	30.3	8.0	7.9	3.1	2.0	0.5	0.1	20.3	20.3	444.7	529.2	80.1	142.5	145.8	141.6	0.8	1.3	591.3	672.1	218.1	272.9	188.1	212.2	185.1	187.0	15.
48.3	54.7	36.6	34.7	0.2	0.9	1.3	0.4	10.2	18.7	301.4	266.4	133.4	123.0	120.8	104.5	4.1	7.9	426.3	378.8	199.4	179.1	59.8	56.3	167.1	143.4	16.
49.3	53.7	12.1	6.8	6.0	5.9	3.3	7.2	27.9	33.8	436.4	476.0	61.9	60.6	194.3	209.2	5.6	7.4	636.3	692.6	249.9	263.8	177.0	198.8	209.4	230.0	17.
42.0	40.1	6.8	5.3	8.9	11.0	0.7	1.2	25.6	22.6	593.3	576.7	161.5	145.5	203.2	213.8	1.9	6.7	798.4	797.2	356.1	358.5	233.0	234.1	209.3	204.6	18.
10.8	*11.0*	*1.1*	*0.7*	*1.8*	*3.0*	*0.5*	*0.9*	*7.4*	*6.4*	*107.9*	*113.0*	*22.0*	*19.1*	*65.3*	*70.0*	*0.9*	*3.9*	*174.1*	*186.9*	*82.0*	*89.0*	*58.1*	*64.3*	*34.0*	*33.6*	
6.1	*5.6*	*1.5*	*2.0*	*0.2*	*0.3*	—	—	*4.4*	*3.3*	*142.3*	*134.8*	*13.3*	*11.4*	*21.4*	*20.4*	—	*0.2*	*163.7*	*155.4*	*33.6*	*31.4*	*59.7*	*56.3*	*70.4*	*67.7*	
23.5	*22.3*	*3.6*	*2.2*	*6.7*	*7.5*	*0.2*	*0.3*	*13.0*	*12.3*	*308.7*	*294.9*	*111.9*	*101.2*	*100.4*	*106.7*	*1.0*	*2.5*	*410.1*	*404.1*	*210.3*	*207.8*	*106.6*	*104.9*	*93.2*	*91.4*	
2.2	2.5	0.7	0.6	—	0.1	0.1	0.1	1.4	1.7	65.4	64.6	8.6	6.4	16.0	17.1	0.1	0.2	81.5	81.9	24.0	23.0	36.4	36.0	21.1	22.9	19.
41.3	36.5	11.1	7.6	3.3	3.9	1.2	1.9	25.7	23.1	547.5	575.6	192.1	181.6	208.7	234.8	7.7	12,4	763.9	822.8	400.9	419.4	133.7	153.0	229.3	250.4	20.
3.8	*4.4*	*0.7*	*0.6*	*0.6*	*0.7*	*0.7*	*1.2*	*1.8*	*1.9*	*36.4*	*37.8*	*4.9*	*5.9*	*16.7*	*18.6*	*0.6*	*0.9*	*53.7*	*57.3*	*21.8*	*25.0*	*17.0*	*17.8*	*14.9*	*14.5*	
435.2	438.8	132.5	103.0	50.1	61.9	25.4	28.3	227.2	245.6	4 660.4	4 811.8	1 134.5	1 195.3	2 122.8	2 136.0	87.7	121.9	6 870.9	7 069.7	3 181.8	3 280.6	1 681.3	1 774.6	2 007.8	2.014.5	TOTAL EXPORTS
81.9	60.4	68.3	47.4	1.4	1.2	2.4	—	9.8	11.8	370.6[e]	387.1[e]	52.1	48.8	316.4	420.3	33.5	23.7	723.6[f]	833.4[f]	395.2	486.8	7.4	8.4	317.9[e]	335.9[e]	1.
28.3	*16.4*	*25.5*	*10.4*	—	—	—	—	*2.8*	*6.0*	*60.1*	*73.4*	*0.2*	*0.5*	*95.7*	*216.9*	*31.7*	*19.7*	*187.5*	*310.0*	*127.6*	*237.0*	—	*3.4*	*59.9*	*69.6*	
5.8	*5.9*	*5.4*	*4.9*	—	—	—	—	*0.4*	*1.0*	*36.5*[e]	*42.3*[e]	*6.2*	*4.6*	*40.1*	*49.4*	*0.2*	*0.3*	*77.6*[f]	*92.9*[f]	*46.4*	*54.1*	*0.4*	*0.6*	*30.0*[e]	*37.3*[e]	
9.2	*7.8*	*5.5*	*4.1*	*0.6*	*0.6*	*0.1*	—	*3.0*	*3.1*	*95.9*[e]	*88.2*[e]	*35.1*	*32.4*	*103.1*	*94.7*	*0.8*	*2.6*	*200.6*[f]	*186.1*[f]	*132.9*	*124.4*	*3.2*	*3.2*	*63.7*[e]	*57.9*[e]	
44.2	31.9	41.2	29.9	—	—	—	—	3.0	2.0	104.8[g]	91.5[g]	0.2	0.1	160.4	140.0	—	—	278.5[h]	242.1[h]	160.6	140.1	0.4	0.3	104.2[g]	91.1[g]	2.
45.0	50.1	17.3	15.7	1.6	3.5	2.6	3.0	23.5	27.9	187.2	198.5	53.0	47.8	294.7	288.5	20.4	26.0	502.3	513.0	350.1	343.5	37.8	40.4	114.4	129.1	3.
0.1	*0.1*	—	—	*0.1*	—	—	—	—	*0.1*	*0.5*	*0.9*	*0.2*	*0.8*	*70.2*	*69.9*	—	—	*70.7*	*70.8*	*70.5*	*70.7*	*0.1*	—	*0.1*	*0.1*	
43.0	*47.6*	*16.2*	*14.5*	*1.5*	*3.4*	*2.6*	*3.0*	*22.7*	*26.7*	*178.9*	*188.5*	*50.9*	*45.2*	*213.5*	*208.1*	*20.3*	*26.0*	*412.7*	*422.6*	*266.7*	*260.8*	*36.9*	*38.9*	*109.1*	*122.9*	
3.9	1.8	3.5	1.4	0.1	0.1	—	—	0.3	0.3	18.7	23.0	0.6	1.4	10.0	10.4	0.4	1.7	29.1	35.1	10.7	13.4	0.2	2.8	18.2	18.9	4.
7.4	5.9	2.4	1.1	0.4	0.8	4.2	2.6	0.4	1.4	20.5	15.7	9.1	7.9	159.6	170.2	5.4	8.4	185.5	194.3	173.4	185.6	6.5	3.3	5.6	5.4	5.
5.0	4.4	2.7	1.9	0.1	0.2	—	0.1	2.2	2.2	28.5	30.4	5.4	5.6	13.9	15.0	0.2	0.3	42.6	45.7	18.5	20.1	1.2	2.3	22.9	23.3	6.
10.7	9.7	8.9	8.0	0.3	0.3	—	—	1.5	1.4	33.6	35.7	6.2	6.3	137.0	114.8	1.5	2.3	172.1	152.8	144.8	123.5	0.9	1.8	26.4	27.5	7.
15.6	17.2	9.1	8.5	—	0.2	—	—	6.5	8.5	69.4	80.5	6.9	7.0	20.6	22.0	0.2	0.1	90.2	102.6	24.2	25.5	4.0	4.2	62.0	72.9	8.
3.9	5.8	2.5	1.7	—	—	0.1	0.2	1.3	3.9	18.1	25.8	1.4	1.5	8.4	9.2	0.5	0.5	27.0	35.5	9.4	10.7	3.1	6.3	14.5	18.5	9.
0.4	0.4	0.3	0.3	—	—	—	—	0.1	0.1	2.3	2.7	—	—	3.1	3.0	—	—	5.4	5.7	3.1	3.0	0.1	0.2	2.2	2.5	10.
17.2	20.4	10.2	6.7	0.4	1.7	1.4	2.2	5.2	9.8	81.2	93.9	11.3	11.2	71.3	68.2	4.8	3.4	157.3	165.5	80.6	77.9	13.0	17.7	63.7	69.9	11.
14.4	12.1	9.9	6.6	0.1	0.1	—	0.1	4.4	5.3	53.0	56.8	4.8	4.2	24.1	27.3	1.0	4.2	78.1	88.3	27.3	33.3	3.6	4.0	47.2	51.0	12.
1.1	1.5	0.2	0.2	—	—	0.8	1.0	0.1	0.3	8.3	10.2	0.1	—	2.4	1.4	—	0.1	10.7	11.7	2.4	1.5	5.0	4.0	3.3	6.2	13.
1.1	0.6	0.9	0.5	—	—	—	—	0.2	0.1	12.8	15.9	0.3	0.7	9.1	9.8	0.4	0.1	22.3	25.8	9.5	9.9	4.3	6.3	8.5	9.6	14.
23.0	20.7	15.0	11.5	0.8	0.4	1.5	1.2	5.7	7.6	113.7	160.9	9.3	32.7	61.7	66.3	1.9	3.1	177.3	230.3	71.2	98.8	11.0	13.2	95.1	118.3	15.
9.6	23.1	7.1	17.2	—	0.5	0.1	0.4	2.4	5.0	31.6	55.1	10.4	24.0	22.7	33.8	8.7	0.3	63.0	89.2	32.6	34.8	6.4	9.9	24.0	44.5	16.
64.4	67.4	28.2	28.9	9.8	7.7	4.0	4.0	22.4	26.8	206.5	231.0	29.2	31.2	146.1	156.6	7.9	11.2	360.5	398.8	186.1	197.7	27.4	31.3	147.0	169.8	17.
61.5	59.7	37.5	33.0	0.1	—	0.6	0.4	23.3	26.3	267.4	283.7	40.6	34.5	183.4	187.4	3.1	6.8	453.9	477.9	221.6	223.8	21.1	14.8	211.2	239.3	18.
16.2	*18.1*	*6.9*	*7.3*	—	—	*0.5*	*0.3*	*8.8*	*10.5*	*45.3*	*37.8*	*9.8*	*5.7*	*103.1*	*103.3*	*1.8*	*4.5*	*150.2*	*145.6*	*111.3*	*110.7*	*11.0*	*5.9*	*27.9*	*29.0*	
15.1	*14.9*	*8.8*	*7.0*	—	—	—	—	*6.3*	*7.9*	*66.3*	*69.9*	*1.1*	*1.0*	*9.6*	*10.1*	—	—	*75.9*	*80.0*	*10.6*	*10.9*	*1.4*	*1.3*	*63.9*	*67.8*	
23.9	*20.8*	*16.5*	*14.0*	*0.1*	—	*0.1*	*0.1*	*7.2*	*6.7*	*107.5*	*111.0*	*21.4*	*19.5*	*55.3*	*58.2*	*1.1*	*2.1*	*163.9*	*171.3*	*76.4*	*78.3*	*8.0*	*6.8*	*79.5*	*86.2*	
11.4	11.5	7.1	7.4	—	—	0.2	0.1	4.1	4.0	36.4	42.1	2.1	2.4	22.8	21.9	0.4	0.7	59.6	64.7	24.8	24.3	2.4	1.8	32.4	38.6	19.
70.6	68.6	52.3	49.9	0.4	0.9	1.1	1.2	16.8	16.6	247.4	294.7	42.2	48.2	115.4	137.5	2.2	5.3	365.0	437.5	154.6	185.2	11.5	13.3	198.9	239.0	20.
492.3	473.2	324.6	277.8	15.5	17.6	19.0	16.5	133.2	161.3	1 912.0	2 135.2	285.2	315.5	1 783.1	1 903.6	92.5	98.2	3 804.0	4 149.9	2 100.7	2 239.4	167.3	186.3	1 519.6	1 711.3	TOTAL EXPORTS

ndia, Pakistan, China; *non-industrialized countries :* obtained by difference. [a] Ghana included in " Other in Africa " [b] Excluding the sterling area. [c] Morocco and Tunisia included in " Other overseas countries ". [d] Including

Exports of selected European countries and the United Stat

Millions of dollars

Area of destination and period / Exporting country and commodity group	North America		of which:				Latin America		Overseas Sterling Area		of which:										Affiliated overseas territories [a]	
			United States		Canada						British overseas territories		Union of South Africa		Other in Africa		Other in Asia		Other in Oceania			
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956 [c]	1957	1956	1957	1956 [c]	1957	1956	1957	1956	1957	1956 [d]	1957
WESTERN GERMANY																						
1. Food, drink and tobacco	18.1	22.1	17.1	20.3	1.0	1.8	3.0	4.2	11.1	11.4	5.7	6.1	0.3	0.7	2.1	2.8	2.0	1.0	1.0	0.8	2.0	2.2
2. Mineral fuels and petroleum products	3.0	2.5	3.0	2.5	—	—	0.6	0.6	0.7	0.6	0.2	0.1	0.1	0.1	—	—	0.2	0.2	0.2	0.2	—	0.2
3. Metallic ores and base metals	50.5	49.5	44.3	45.4	6.2	4.1	53.0	72.5	37.4	50.5	7.6	10.9	4.4	4.6	0.9	1.0	22.9	33.0	1.6	1.0	3.3	3.5
of which: Iron and steel	31.1	32.2	25.3	28.5	5.8	3.7	45.1	63.1	32.3	46.7	6.4	9.7	4.2	4.2	0.9	1.0	19.4	31.0	1.4	0.8	3.0	3.2
4. Oil-seeds, fats and oils	0.4	0.9	0.4	0.9	—	—	0.6	0.2	0.6	0.7	0.1	—	—	0.1	0.1	0.1	0.4	0.5	—	—	1.5	0.9
5. Textile fibres, natural	2.3	2.0	2.2	1.9	0.1	0.1	0.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Selected construction materials	12.0	10.1	8.6	7.9	3.4	2.2	7.3	7.8	6.6	15.0	3.2	3.3	0.4	0.5	0.1	0.8	2.4	9.8	0.5	0.6	3.2	3.3
7. Other raw materials	6.2	5.2	6.0	5.1	0.2	0.1	1.0	1.2	1.2	1.4	0.6	0.6	0.1	0.1	0.1	0.1	0.2	0.4	0.2	0.2	0.3	0.2
8. Metal manufactures	31.1	32.8	25.8	27.3	5.3	5.5	35.1	38.4	29.4	30.7	11.5	9.7	3.8	4.7	0.9	2.5	9.4	10.1	3.8	3.7	6.9	5.8
9. Power-generating (except electric) machinery	1.9	2.5	1.6	2.1	0.3	0.4	11.9	14.1	10.0	12.0	1.4	1.4	0.8	0.9	0.1	0.2	7.4	9.2	0.3	0.3	2.3	1.7
10. Agricultural machinery	0.6	0.7	0.4	0.4	0.2	0.3	1.5	1.7	1.5	1.5	0.2	0.2	0.6	0.5	0.1	0.1	0.2	0.2	0.4	0.5	0.6	0.3
11. Metal-working, mining, construction and other industrial machinery	57.4	61.9	47.8	53.0	9.6	8.9	67.6	85.4	76.7	111.7	8.1	8.1	9.8	12.1	2.2	2.1	45.0	77.8	11.6	11.6	9.5	9.2
12. Electric machinery	16.9	28.8	14.9	24.7	2.0	4.1	49.6	58.5	38.4	52.6	7.8	9.1	4.6	8.0	0.8	1.7	21.5	28.7	3.7	5.1	7.6	5.8
13. Tractors	0.2	0.2	0.1	0.1	0.1	0.1	16.6	9.3	3.2	3.0	0.1	0.1	0.9	1.4	0.1	—	1.7	1.0	0.4	0.5	0.7	0.6
14. Railway vehicles	0.4	0.3	0.4	0.2	—	0.1	5.0	4.9	13.2	10.5	0.7	0.7	0.6	2.1	—	0.3	11.7	7.1	0.2	0.3	1.4	0.4
15. Road motor vehicles	63.3	112.0	50.8	95.0	12.5	17.0	34.3	49.4	57.0	71.3	14.3	14.6	10.9	23.0	1.2	3.7	20.6	19.5	10.0	10.5	12.1	8.3
16. Other vehicles	8.5	5.5	8.2	5.2	0.3	0.3	14.5	11.0	11.6	15.5	1.4	1.5	0.4	0.4	0.1	0.3	9.6	12.4	0.1	0.9	1.3	1.2
17. Chemicals	48.9	55.6	40.6	47.9	8.3	7.7	87.7	112.2	76.2	94.2	15.3	17.7	8.6	10.9	2.2	4.1	34.7	43.6	15.4	17.9	6.6	5.6
18. Textile manufactures and clothing	30.9	32.3	26.0	26.6	4.9	5.7	11.6	11.6	52.2	52.1	15.2	12.2	11.0	13.9	0.7	2.6	14.6	12.3	10.7	11.1	10.6	11.5
of which:																						
Textile yarns (including synthetic fibres)	9.4	10.7	8.8	9.9	0.6	0.8	5.1	4.1	17.0	16.1	1.5	1.3	4.5	6.7	—	0.2	9.8	6.6	1.2	1.3	0.4	0.4
Cotton fabrics	3.2	2.8	2.0	1.8	1.2	1.0	0.5	1.0	10.1	10.0	1.7	1.5	1.7	2.1	0.2	0.4	2.5	1.7	4.0	4.3	3.4	5.0
Other fabrics	12.1	11.6	9.9	8.9	2.2	2.7	4.6	4.7	21.6	21.4	10.1	7.2	4.4	4.5	0.3	1.5	2.0	3.4	4.8	4.8	6.2	5.5
19. Paper, manufactures of wood and paper (excluding furniture)	8.3	5.0	7.8	4.5	0.5	0.5	6.8	5.4	3.9	4.2	0.9	0.9	0.8	1.1	0.1	0.2	1.1	1.1	1.0	0.9	0.7	0.4
20. All other commodities	108.7	113.0	94.9	97.8	13.8	15.2	52.2	59.9	69.6	77.0	28.5	29.7	10.0	12.8	2.0	4.9	15.4	14.3	13.7	15.3	11.6	9.9
of which: Instruments and watches	40.9	44.6	34.5	37.8	6.4	6.8	15.5	19.4	25.1	27.7	8.6	10.4	3.0	3.8	0.7	1.2	7.0	5.7	5.8	6.6	3.1	2.4
Total exports	469.6	542.9	400.9	468.8	68.7	74.1	460.1	548.3	500.5	615.9	122.8	126.9	68.1	97.9	13.8	27.5	221.0	282.2	74.8	81.4	82.2	71.0
ITALY																						
1. Food, drink and tobacco	38.0	35.5	32.7	29.9	5.3	5.6	6.0	7.3	14.9	21.5	6.4	11.9	1.4	1.3	2.0	5.0	3.2	1.9	1.9	1.4	6.5	5.1
of which: Cereals and preparations	0.9	1.4	0.9	0.9	—	0.5	0.1	0.1	6.3	8.8	2.7	5.4	1.1	1.1	0.6	2.1	1.7	0.2	0.2	—	1.8	1.0
Fruit	5.3	3.7	3.7	2.8	1.6	0.9	0.6	1.0	2.1	1.7	0.9	0.8	0.1	—	0.2	0.2	0.4	0.2	0.5	0.5	1.7	0.3
Vegetables	9.9	9.5	7.7	7.3	2.2	2.2	0.6	1.5	4.3	5.8	1.8	3.7	0.2	0.2	0.6	0.7	1.0	0.8	0.7	0.4	1.6	2.7
2. Mineral fuels and petroleum products	1.5	—	1.5	—	—	—	—	—	9.5	9.4	5.2	5.5	0.2	—	3.6	3.7	0.5	0.2	—	—	20.0	10.9
3. Metallic ores and base metals	10.4	7.8	9.1	7.2	1.3	0.6	13.3	18.7	15.4	15.6	3.2	3.6	0.3	0.2	0.5	0.6	10.4	11.1	1.0	0.1	0.3	0.3
of which: Iron and steel	6.5	5.1	5.2	4.5	1.3	0.6	12.7	17.7	12.6	14.3	2.9	3.4	0.1	0.1	0.5	0.6	8.7	10.1	0.4	0.1	0.3	0.3
4. Oil-seeds, fats and oils	3.3	4.5	3.2	4.2	0.1	0.3	0.3	0.8	0.5	0.8	0.1	0.1	—	—	—	—	0.1	0.1	0.3	0.6	0.2	0.1
5. Textile fibres, natural	2.4	2.1	2.4	2.1	—	—	0.1	0.2	0.1	0.3	—	—	—	—	—	0.2	—	—	0.1	0.1	—	—
6. Selected construction materials	4.1	4.4	3.9	4.1	0.2	0.3	1.5	1.3	1.1	1.1	0.5	0.4	0.1	0.1	0.4	0.3	0.1	0.2	—	0.1	0.1	0.1
7. Other raw materials	7.6	5.5	7.0	4.9	0.6	0.6	3.5	1.9	1.7	1.5	0.5	0.5	0.3	0.1	0.2	0.3	0.4	0.3	0.3	0.3	0.4	0.3
8. Metal manufactures	5.7	9.3	4.9	8.0	0.8	1.3	6.8	5.6	7.1	9.3	1.0	0.9	1.0	1.2	0.5	2.1	3.3	3.8	1.3	1.3	1.1	1.2
9. Power-generating (except electric) machinery	1.0	0.7	1.0	0.6	—	0.1	18.7	18.4	1.3	1.8	0.2	0.6	0.1	0.2	0.2	0.2	0.7	0.7	0.1	0.1	0.4	0.4
10. Agricultural machinery	—	—	—	—	—	—	0.4	0.4	0.1	0.1	—	—	—	—	0.1	0.1	—	—	—	—	—	0.1
11. Metal-working, mining, construction and other industrial machinery	14.7	17.2	12.6	14.3	2.1	2.9	30.6	33.9	10.5	12.0	2.2	2.5	2.4	2.8	1.0	1.4	3.9	4.0	1.0	1.3	2.9	1.4
12. Electric machinery	1.1	1.6	1.0	1.4	0.1	0.2	9.1	9.3	2.9	4.2	0.3	0.4	0.6	0.5	0.5	0.7	1.1	2.3	0.4	0.3	0.7	0.2
13. Tractors	—	—	—	—	—	—	1.0	2.2	0.2	0.3	—	0.1	0.1	0.1	—	—	—	—	0.1	0.1	0.2	0.2
14. Railway vehicles	—	—	—	—	—	—	—	0.3	9.0	4.6	—	—	0.2	—	—	0.1	8.8	4.3	—	0.2	—	—
15. Road motor vehicles	10.1	17.2	10.0	17.1	0.1	0.1	28.0	26.1	13.1	13.6	3.7	3.0	1.7	4.0	0.8	1.2	5.6	4.1	1.3	1.3	2.0	0.9
16. Other vehicles	8.8	6.1	8.8	6.1	—	—	10.1	8.4	0.4	0.8	0.1	0.3	0.1	0.1	0.1	0.2	0.1	0.1	—	0.1	0.3	0.1
17. Chemicals	13.6	9.6	12.9	8.4	0.7	1.2	8.3	9.7	13.5	12.0	2.5	2.6	0.8	1.2	0.9	0.7	8.2	6.9	1.1	0.6	1.1	0.5
18. Textile manufactures and clothing	52.6	53.1	46.1	44.2	6.5	8.9	16.2	14.7	74.3	57.1	23.6	19.0	14.0	12.8	2.8	3.8	23.0	12.4	10.9	9.1	14.0	10.6
of which:																						
Textile yarns (including synthetic fibres)	5.0	5.0	4.8	4.7	0.2	0.3	5.8	4.8	26.6	14.3	2.0	1.3	2.3	2.4	0.6	0.4	18.7	7.7	3.0	2.5	0.7	0.5
Cotton fabrics	2.7	3.4	2.5	3.1	0.2	0.3	1.1	1.2	3.8	3.8	1.3	0.6	0.8	0.7	0.3	0.4	0.2	0.4	1.2	1.7	0.8	0.6
Other fabrics	35.8	36.5	30.5	29.0	5.3	7.5	7.7	7.5	41.0	35.8	19.2	16.2	10.2	8.8	1.5	2.3	4.0	4.1	6.1	4.4	11.7	8.8
19. Paper, manufactures of wood and paper (excluding furniture)	3.0	2.1	2.8	2.0	0.2	0.1	1.2	1.3	3.2	2.8	1.2	0.9	0.1	0.2	0.4	0.5	1.4	1.0	0.1	0.2	0.5	0.2
20. All other commodities	34.0	32.9	31.3	30.3	2.7	2.6	9.6	10.6	10.8	12.9	3.8	3.8	1.5	2.1	1.2	1.5	2.2	3.4	2.1	2.1	3.5	2.3
Total exports	211.9	209.6	191.2	184.8	20.7	24.8	164.7	171.1	189.6	181.7	54.5	56.1	24.9	26.9	15.2	22.6	73.0	56.8	22.0	19.3	54.2	34.9
BELGIUM-LUXEMBOURG																						
1. Food, drink and tobacco	3.1	3.2	2.9	3.0	0.2	0.2	0.8	0.8	6.9	5.9	4.4	3.4	0.1	—	0.8	1.6	1.5	0.7	0.1	0.2	18.4	12.1
2. Mineral fuels and petroleum products	—	—	—	—	—	—	—	0.1	0.5	0.7	0.2	0.1	0.1	0.2	—	0.2	0.2	0.2	—	—	2.0	0.7
3. Metallic ores and base metals	81.6	66.0	67.1	54.4	14.5	11.6	41.8	71.1	61.6	53.2	17.4	15.3	6.3	7.7	1.6	2.4	31.2	26.7	5.1	1.1	23.6	24.4
of which: Iron and steel	54.5	40.3	41.9	30.6	12.6	9.7	37.0	62.9	57.8	50.3	16.0	13.9	6.2	7.5	1.6	2.2	28.9	25.7	5.1	1.0	21.5	22.5
4. Oil-seeds, fats and oils	0.1	0.2	0.1	0.2	—	—	0.7	0.6	2.7	1.9	0.4	0.3	0.3	0.1	0.3	0.1	0.9	1.3	0.8	0.1	2.2	1.3
5. Textile fibres, natural	6.0	5.2	5.7	4.9	0.3	0.3	1.1	1.7	1.6	0.9	—	—	0.3	0.1	—	—	0.4	0.3	0.9	0.5	0.4	0.3
6. Selected construction materials	23.2	17.2	18.2	14.5	5.0	2.7	5.1	5.6	9.1	8.2	3.4	3.2	0.3	0.2	0.1	0.7	1.6	1.2	3.7	2.9	6.0	5.6
7. Other raw materials	3.3	3.1	3.1	2.7	0.2	0.4	0.3	0.2	0.6	0.6	0.1	0.2	—	—	0.1	—	0.3	0.3	0.1	0.1	0.4	0.3
8. Metal manufactures	16.9	19.3	14.8	18.8	2.1	0.5	9.9	9.5	8.1	7.3	2.2	2.1	1.8	1.9	0.4	0.3	3.1	2.5	0.6	0.5	11.6	11.9
9. Power-generating (except electric) machinery	0.1	0.1	0.1	0.1	—	—	0.1	—	0.2	0.2	—	—	—	—	—	—	0.2	0.2	—	—	2.2	1.9
10. Agricultural machinery	—	—	—	—	—	—	0.2	0.2	0.1	0.1	—	—	0.1	—	—	—	—	0.1	—	—	0.1	0.1
11. Metal-working, mining, construction and other industrial machinery	4.3	5.2	3.9	4.9	0.4	0.3	3.8	4.2	2.6	3.3	0.5	0.5	0.6	0.8	—	0.2	1.3	1.6	0.2	0.2	10.3	10.2
12. Electric machinery	1.3	1.6	1.1	1.5	0.2	0.1	6.7	6.7	5.2	2.7	0.2	0.2	0.4	0.3	—	—	2.9	1.4	1.7	0.8	17.3	11.5
13. Tractors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.2	0.1
14. Railway vehicles	—	—	—	—	—	—	3.3	2.9	14.3	15.5	0.2	1.7	3.6	3.3	0.3	0.9	10.2	9.6	—	—	7.1	10.0
15. Road motor vehicles	0.3	0.8	0.2	0.8	0.1	—	0.5	0.4	1.5	1.0	1.1	0.5	0.2	0.4	—	—	0.2	0.1	—	—	2.4	1.7
16. Other vehicles	0.3	0.1	0.3	0.1	—	—	0.7	0.1	1.4	0.1	0.1	—	—	—	—	0.1	1.3	—	—	—	4.4	2.8
17. Chemicals	11.9	14.2	10.9	12.3	1.0	1.9	9.0	12.6	22.5	21.8	9.1	6.1	1.3	3.1	0.8	1.1	8.7	7.6	2.6	3.9	9.5	11.6
18. Textile manufactures and clothing	54.0	51.2	43.9	42.2	10.1	9.0	5.0	4.6	21.8	17.7	2.2	1.4	8.2	6.9	0.2	0.3	4.5	1.8	6.7	7.3	19.9	18.3
19. Paper, manufactures of wood and paper (excluding furniture)	1.0	0.9	1.0	0.9	—	—	0.3	0.2	1.2	1.0	0.6	0.2	0.1	0.1	—	—	0.2	0.3	0.3	0.4	2.8	3.3
20. All other commodities	95.3	73.5	87.7	66.4	7.6	7.1	5.8	7.2	19.9	19.3	13.0	12.4	0.6	1.0	0.1	0.2	4.6	4.1	1.6	1.6	16.0	12.4
Total exports	302.7	261.8	261.0	227.7	41.7	34.1	95.1	128.7	181.8	161.4	55.1	47.6	24.3	26.1	4.7	8.1	73.3	60.0	24.4	19.6	156.8	140.5

[a] Excluding the sterling area. [b] Including unallocated exports. [c] Ghana included in " British Overseas Territories " instead of " Other in Africa ". [d] Morocco and Tunisia included in "Affiliated overseas territories " instead of " Other

ABLE XIV *(continued)*

v main commodity groups and by area of destination

50 prices, f.o.b.

Other overseas countries		of which: In Africa		Japan		China		Other in Asia		Total overseas countries [b]		of which: Dollar Area		Western Europe		Eastern Europe		Total World		of which: Highly industrialized countries		Semi-industrialized countries		Non-industrialized countries [b]		Group
1956[d]	1957	1956[d]	1957	1956	1956	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	
9.6	16.9	3.1	4.7	1.1	4.0	—	—	5.4	8.2	43.8[e]	56.8[e]	19.9	24.5	112.4	132.7	28.1	4.6	187.6[f]	198.0[f]	159.7	163.4	3.8	3.7	20.8[e]	27.0[e]	1.
0.8	2.4	0.1	1.6	—	—	—	0.2	0.7	0.6	5.1[g]	6.3[g]	3.3	2.8	352.4	339.3	0.7	0.2	390.4[h]	375.3[h]	356.1	342.0	0.8	1.0	1.3[g]	2.8[g]	2.
43.7	71.7	3.4	4.1	6.8	22.3	1.0	3.5	32.5	41.8	187.9	247.7	86.5	95.6	341.2	400.5	54.4	59.8	583.5	708.0	452.9	532.1	47.0	66.5	83.6	109.4	3.
36.2	*57.3*	*3.0*	*3.3*	*4.9*	*13.3*	*0.9*	*3.5*	*27.4*	*37.2*	*147.7*	*202.5*	*63.9*	*75.5*	*235.5*	*313.5*	*37.7*	*53.5*	*420.9*	*569.5*	*309.2*	*412.5*	*38.7*	*57.9*	*73.0*	*99.1*	
2.0	4.3	0.5	2.8	—	—	—	—	1.5	1.5	5.1	7.0	0.9	1.1	19.6	23.2	0.6	2.4	25.3	32.6	20.6	26.5	—	0.1	4.7	6.0	4.
0.5	0.4	—	0.1	0.4	0.3	—	—	0.1	—	3.0	2.4	2.3	1.9	32.8	41.0	1.2	2.2	37.0	45.6	36.7	45.5	0.1	—	0.2	0.1	5.
7.0	8.3	0.8	1.2	0.2	0.2	—	—	6.0	6.9	36.1	44.5	17.8	16.5	57.7	67.6	0.4	0.6	94.2	112.7	70.3	78.5	3.7	11.7	20.2	22.5	6.
0.9	1.2	0.1	0.1	0.3	0.2	—	0.3	0.5	0.6	9.6	9.2	6.7	5.9	67.5	67.3	1.1	1.3	78.2	77.8	75.1	74.0	1.0	1.5	2.1	2.3	7.
22.9	26.8	3.3	4.1	0.5	1.6	0.1	0.2	19.0	20.9	125.4	134.5	58.4	58.2	140.1	145.6	2.7	3.7	268.2	283.8	174.4	183.7	23.1	29.2	70.7	70.9	8.
13.6	11.8	4.3	3.0	0.2	0.6	0.1	0.1	9.0	8.1	39.7	42.1	6.4	7.9	68.9	82.7	1.6	2.4	110.2	127.2	72.6	88.2	15.5	18.3	22.1	20.7	9.
0.5	0.6	0.1	0.2	—	—	0.1	—	0.3	0.4	4.7	4.8	1.0	1.1	29.2	32.7	0.4	0.1	34.3	37.6	30.2	33.5	2.4	2.4	1.7	1.7	10.
70.3	87.0	17.7	14.9	9.9	23.5	0.8	3.4	41.9	45.2	281.5	355.2	95.3	105.3	565.9	645.2	12.0	27.8	859.4	1 028.2	645.2	758.4	96.4	149.8	117.8	120.0	11.
40.8	49.5	7.1	9.0	1.0	2.1	1.0	1.1	31.7	37.3	153.9	195.7	42.0	58.1	285.1	329.8	5.9	9.9	444.9	535.4	308.9	370.6	50.5	70.3	85.5	94.5	12.
2.2	2.4	0.1	0.5	0.1	0.1	1.4	—	0.6	1.8	22.9	15.5	1.0	1.2	38.2	33.5	0.3	0.4	61.4	49.4	38.8	34.2	20.1	11.3	2.5	3.9	13.
4.2	6.0	0.6	3.0	0.1	—	—	—	3.5	3.0	24.2	22.1	2.4	3.4	17.0	19.3	0.3	0.8	41.5	42.2	17.8	20.4	12.7	10.3	11.0	11.5	14.
24.9	27.8	6.4	7.1	1.0	1.2	1.0	0.4	16.5	19.1	191.6	268.8	78.5	129.2	276.1	279.6	0.9	1.8	468.6	550.2	341.3	394.6	61.0	81.4	66.3	74.2	15.
17.6	54.8	6.4	36.4	—	—	—	0.1	11.2	18.3	53.5	88.0	28.2	51.8	104.4	107.4	23.1	4.8	181.0	200.2	136.0	117.7	9.7	13.4	35.3	69.1	16.
100.6	127.1	9.7	22.0	27.4	27.9	27.5	30.5	36.0	46.7	320.0	394.7	100.1	123.4	509.3	586.3	27.0	36.9	856.3	1 017.9	612.6	706.7	123.7	148.8	120.0	162.4	17.
20.4	25.4	2.1	6.9	0.3	0.3	0.7	1.5	17.3	16.7	125.7	132.9	38.3	39.8	244.3	256.5	6.3	10.1	376.9	399.5	282.4	299.2	36.5	37.1	58.0	63.2	18.
7.7	*8.1*	*0.9*	*0.9*	*0.2*	*0.1*	*0.7*	*1.4*	*5.9*	*5.7*	*39.6*	*39.4*	*12.2*	*13.2*	*60.0*	*62.5*	*5.4*	*8.7*	*105.0*	*110.6*	*75.0*	*82.0*	*16.6*	*16.2*	*13.4*	*12.4*	
1.2	*2.5*	*0.1*	*0.7*	—	—	—	—	*1.1*	*1.8*	*18.4*	*21.3*	*3.6*	*3.5*	*46.0*	*43.6*	*0.2*	*0.3*	*64.6*	*65.2*	*49.4*	*46.7*	*6.7*	*6.8*	*8.5*	*11.7*	
10.2	*12.5*	*0.7*	*4.5*	*0.1*	*0.2*	—	*0.1*	*9.4*	*7.7*	*54.7*	*55.7*	*15.1*	*14.8*	*92.8*	*97.0*	*0.5*	*0.9*	*148.0*	*153.6*	*105.5*	*109.7*	*11.6*	*12.0*	*30.9*	*31.9*	
2.5	2.6	0.3	0.5	0.3	0.3	0.2	0.1	1.7	1.7	22.2	17.6	11.2	7.5	42.6	45.2	0.9	1.6	65.7	64.4	52.1	52.1	6.8	5.6	6.8	6.7	19.
38.8	39.4	7.1	8.4	5.3	3.9	2.5	3.3	23.9	23.8	280.9[e]	299.2[e]	145.1	150.9	428.0	475.5	5.7	10.1	718.0[f]	788.7[f]	547.7	602.5	55.2	63.5	111.7[e]	118.8[e]	20.
14.8	*14.1*	*2.9*	*2.4*	*3.7*	*2.3*	*1.7*	*2.5*	*6.5*	*6.9*	*99.4*	*108.2*	*51.2*	*55.3*	*95.5*	*103.9*	*2.2*	*2.6*	*197.1*	*214.7*	*142.3*	*153.4*	*23.4*	*27.3*	*31.4*	*34.0*	
423.8	566.4	73.2	130.6	54.9	88.5	36.4	44.7	259.3	302.6	1 936.8	2 345.0	745.3	886.1	3 733.3	4 110.9	173.6	181.5	5 882.6	6 674.7	4 431.4	4.923.8	570.0	725.9	842.3	987.7	TOTAL EXPORTS
28.6	41.2	6.5	24.7	4.5	0.1	—	—	17.6	16.4	94.0[e]	110.6[e]	43.9	41.4	302.6	341.7	15.0	25.7	415.1[f]	481.5[f]	360.1	403.0	5.6	4.1	45.9[e]	70.9[e]	1
23.6	*30.4*	*3.8*	*18.9*	*4.4*	—	—	—	*15.4*	*11.5*	*32.7*[e]	*41.7*[e]	*1.0*	*1.5*	*24.7*	*36.5*	*3.0*	*0.1*	*60.5*[f]	*78.3*[f]	*33.0*	*38.0*	*2.9*	*1.1*	*24.5*[e]	*39.2*[e]	
1.2	*1.8*	*0.8*	*1.5*	—	—	—	—	*0.4*	*0.3*	*10.9*[e]	*8.5*[e]	*5.8*	*3.9*	*160.5*	*157.9*	*9.6*	*8.7*	*181.3*[f]	*175.3*[f]	*175.4*	*170.3*	*1.2*	*1.4*	*4.4*[e]	*3.4*[e]	
1.9	*2.8*	*0.6*	*0.9*	—	—	—	—	*1.3*	*1.9*	*18.3*[e]	*22.3*[e]	*10.6*	*10.8*	*64.0*	*67.8*	*0.7*	*0.1*	*83.2*[f]	*90.2*[f]	*74.6*	*77.4*	*0.9*	*0.8*	*7.5*[e]	*12.0*[e]	
8.4	11.5	3.6	7.5	—	—	—	—	4.8	4.0	39.4[g]	31.8[g]	1.5	0.5	103.1	100.5	—	—	163.9[h]	148.1[h]	104.6	100.5	0.6	—	37.3[g]	31.8[g]	2.
10.2	9.2	2.8	1.9	0.1	0.2	0.4	1.0	6.9	6.1	50.5	51.9	18.2	18.4	36.1	31.5	7.6	7.2	94.2	90.6	54.2	46.7	20.2	23.2	19.8	20.7	3
8.5	*8.0*	*2.6*	*1.8*	*0.1*	*0.2*	*0.4*	*1.0*	*5.4*	*5.0*	*41.4*	*45.4*	*13.8*	*15.0*	*23.6*	*22.0*	*6.7*	*6.5*	*71.7*	*73.9*	*36.9*	*33.8*	*17.8*	*21.8*	*17.0*	*18.3*	
0.4	0.2	0.3	0.1	—	—	—	—	0.1	0.1	4.7	6.4	3.5	4.9	1.9	1.5	—	—	6.6	7.9	5.2	6.0	0.3	0.9	1.1	1.0	4
0.1	—	—	—	0.1	—	—	—	—	—	2.7	2.6	2.4	2.1	15.4	15.3	1.1	0.7	19.2	18.6	19.0	18.1	0.1	0.2	0.1	0.3	5.
0.8	0.8	0.3	0.3	—	—	—	—	0.5	0.5	7.6	7.7	5.4	5.5	3.6	3.6	—	—	11.2	11.3	7.7	8.0	0.2	0.5	3.3	2.8	6.
2.9	2.3	1.0	0.5	0.3	0.6	—	—	1.6	1.2	16.2	11.5	10.4	6.9	40.7	29.8	2.5	0.9	59.4	42.2	51.1	36.8	1.6	0.9	6.7	4.5	7.
8.5	4.1	2.1	1.5	—	—	—	—	6.4	2.6	29.4	29.7	9.6	14.0	9.9	10.8	0.5	0.2	39.8	40.7	16.1	20.3	7.2	6.2	16.5	14.2	8.
1.9	2.5	0.9	1.5	—	—	—	—	1.0	1.0	23.3	23.8	2.5	2.5	14.2	16.3	0.5	1.1	38.0	41.2	15.7	18.1	19.0	18.4	3.3	4.7	9.
0.1	0.1	0.1	0.1	—	—	—	—	—	—	0.6	0.7	0.2	0.1	0.6	1.1	—	0.1	1.2	1.9	0.6	1.2	0.2	0.3	0.4	0.4	10.
13.6	12.6	4.1	4.0	1.3	1.8	0.1	0.2	8.1	6.1	72.4	76.6	31.2	38.1	64.7	73.6	1.6	6.6	138.7	156.8	82.3	99.2	25.8	26.8	30.6	30.8	11.
3.2	3.7	1.7	1.5	—	0.1	—	—	1.5	2.1	17.2	19.0	5.9	7.2	17.5	18.2	0.6	0.7	35.3	37.9	19.2	20.6	6.1	7.1	10.0	10.2	12.
0.5	0.4	0.1	0.1	—	—	—	—	0.4	0.3	1.4	3.1	0.2	0.2	6.4	7.8	—	—	8.3	10.9	6.4	7.8	1.1	2.1	0.8	1.0	13.
0.1	0.2	0.1	0.1	—	—	—	—	—	0.1	9.1	5.1	—	0.3	0.5	1.9	—	—	9.6	7.0	0.5	1.9	8.9	4.6	0.2	0.5	14.
10.0	12.3	2.8	5.7	0.1	0.2	—	—	7.1	6.4	63.2	70.1	18.8	28.5	67.5	74.6	0.8	4.2	131.5	148.9	78.5	96.2	30.4	25.5	22.6	27.2	15.
4.6	5.4	0.2	4.8	—	—	—	—	4.4	0.6	24.2	20.8	18.0	17.8	10.3	30.7	0.1	0.1	34.6	51.6	19.2	36.9	1.1	1.0	14.3	13.7	16.
18.2	17.3	5.4	5.0	1.7	0.9	5.2	6.9	5.9	4.5	55.0	49.7	17.8	14.0	51.5	53.8	5.2	4.7	111.7	108.2	72.0	69.0	19.1	21.0	20.6	18.2	17.
40.5	37.3	8.8	10.0	0.3	0.4	2.4	2.1	29.0	24.8	198.1	172.8	65.0	64.4	219.6	236.0	30.6	31.6	448.3	440.4	303.1	321.1	51.0	35.1	94.2	84.2	18
22.8	*16.6*	*3.2*	*2.0*	—	—	*2.4*	*2.1*	*17.2*	*12.5*	*61.0*	*41.2*	*9.1*	*8.3*	*39.6*	*42.8*	*28.8*	*27.5*	*129.4*	*111.5*	*73.4*	*75.3*	*27.8*	*16.0*	*28.2*	*20.2*	
2.7	*2.0*	*0.9*	*1.1*	*0.1*	—	—	—	*1.7*	*0.9*	*11.2*	*11.0*	*3.5*	*4.3*	*13.3*	*14.5*	*0.1*	—	*24.6*	*25.5*	*16.2*	*17.9*	*2.1*	*2.5*	*6.3*	*5.1*	
14.1	*17.5*	*4.3*	*6.3*	*0.2*	*0.4*	—	—	*9.6*	*10.8*	*110.6*	*106.1*	*42.2*	*42.8*	*145.1*	*153.6*	*1.7*	*3.9*	*257.4*	*263.6*	*182.8*	*194.4*	*19.5*	*15.0*	*55.1*	*54.2*	
3.8	2.9	1.5	1.3	—	—	0.2	—	2.1	1.6	11.7	9.3	3.5	2.7	8.0	8.7	0.8	0.8	20.5	18.8	11.8	11.6	1.9	1.8	6.8	5.4	19.
9.0	9.2	2.8	3.2	0.5	0.6	0.2	0.2	5.5	5.2	67.3	68.5	41.4	41.4	93.1	95.3	1.3	0.9	161.7	164.7	128.9	129.7	7.5	9.4	25.3	25.6	20.
65.4	172.7	45.1	73.8	8.9	4.9	6.5	10.4	102.9	83.6	788.5	771.7	299.4	310.9	1 067.2	1 152.7	68.2	85.5	1 948.8	2 029.2	1 356.2	1 452.7	207.9	189.1	359.8	368.1	TOTAL EXPORTS
3.2	10.2	0.4	6.6	—	—	—	—	2.8	3.6	32.7	32.2	4.0	3.6	99.3	89.8	0.4	0.4	132.4	122.4	102.8	93.4	1.1	0.4	28.5	28.6	1.
0.2	0.2	0.1	0.2	—	—	—	—	0.1	—	2.7[g]	1.7[g]	—	—	144.5	129.1	—	—	169.1[h]	151.2[h]	144.5	129.1	0.1	0.2	2.6[g]	1.5[g]	2.
32.0	39.6	4.2	3.3	4.7	8.1	0.4	0.4	22.7	27.8	240.6	254.3	110.6	99.6	456.4	421.1	21.1	13.8	718.1	689.2	563.8	509.0	50.0	64.3	104.3	115.9	3.
28.1	*34.0*	*3.5*	*2.7*	*3.0*	*6.0*	*0.3*	*0.3*	*21.3*	*25.0*	*198.9*	*210.0*	*82.1*	*69.0*	*295.7*	*275.7*	*17.0*	*10.4*	*511.6*	*496.1*	*370.2*	*332.4*	*44.8*	*57.6*	*96.6*	*106.1*	
0.4	1.0	0.1	0.6	—	—	—	—	0.3	0.4	6.2	5.0	0.8	0.8	24.1	18.6	2.2	2.4	32.5	26.0	26.4	21.2	1.1	0.2	5.0	4.6	4
6.6	8.4	—	2.6	3.9	3.4	2.3	1.9	0.4	0.5	15.7	16.5	6.7	5.9	122.3	120.3	14.8	12.1	152.8	148.9	147.0	141.0	4.3	3.8	1.5	4.1	5
4.9	3.5	0.8	0.8	0.2	0.3	—	—	3.9	2.4	48.3	40.1	26.1	22.1	47.8	46.8	—	0.1	96.1	87.0	71.2	64.4	5.6	4.8	19.3	17.8	6
0.4	0.5	0.1	0.1	0.2	0.2	—	—	0.1	0.2	5.1	4.7	3.6	3.1	41.1	39.3	0.8	1.0	47.0	45.0	45.4	43.6	0.5	0.4	1.1	1.0	7.
8.8	7.5	1.9	0.9	0.2	0.1	—	0.1	6.7	6.4	55.3	55.5	23.0	24.4	27.1	33.1	1.5	1.5	83.9	90.1	45.7	54.0	8.0	7.9	30.2	28.2	8
0.2	0.3	—	0.2	—	—	—	—	0.2	0.1	2.8	2.5	0.1	0.1	9.3	20.8	3.1	1.1	15.2	24.4	12.5	22.0	0.3	0.2	2.4	2.2	9
—	0.1	—	—	—	—	—	—	—	0.1	0.4	0.5	–	—	4.7	4.3	—	—	5.1	4.8	4.7	4.3	0.2	0.1	0.2	0.4	10
1.5	2.7	0.3	0.6	—	0.5	0.3	0.3	0.9	1.3	22.5	25.6	7.1	8.1	52.9	52.2	1.5	1.1	76.9	78.9	58.7	59.0	4.0	5.0	14.2	14.9	11
4.8	5.9	1.8	1.2	0.2	0.1	1.1	2.4	1.7	2.2	35.3	28.4	4.8	5.2	54.0	53.9	1.1	2.0	90.4	84.3	56.6	57.6	8.2	8.2	25.6	18.5	12
—	—	—	—	—	—	—	—	—	—	0.2	0.1	—	—	0.1	0.1	—	—	0.3	0.2	0.1	0.1	—	—	0.2	0.1	13
0.6	1.7	0.3	0.8	—	0.1	—	—	0.3	0.8	25.3	30.1	3.1	2.6	8.4	10.3	0.2	0.1	33.9	40.5	8.6	10.5	12.4	13.3	12.9	16.7	14
0.5	0.7	0.2	0.3	—	—	—	0.2	0.3	0.2	5.2	4.6	0.5	1.0	49.2	36.0	0.3	0.4	54.7	41.0	49.8	37.2	0.6	0.9	4.3	2.9	15
9.5	3.2	9.5	3.1	—	—	—	—	—	0.1	16.3	6.3	10.1	3.3	15.0	15.1	5.4	5.1	36.7	26.5	20.7	20.3	0.6	—	15.4	6.2	16.
32.6	39.5	3.1	6.2	9.2	8.7	15.7	17.8	4.6	6.8	85.6	99.7	16.5	20.9	118.6	143.3	6.2	6.7	210.4	249.7	145.9	172.9	27.8	34.2	36.7	42.6	17.
9.4	8.1	0.9	2.6	—	—	1.1	0.2	7.4	5.3	110.1	99.9	57.9	54.3	300.6	312.5	3.9	5.6	414.6	418.0	358.5	369.3	20.7	16.4	35.4	32.3	18
0.7	0.8	0.1	0.2	—	—	0.1	—	0.5	0.6	6.1	6.2	1.3	1.2	24.7	29.1	1.0	0.7	31.8	36.0	26.7	30.7	0.6	0.8	4.5	4.5	19.
6.9	8.6	0.9	2.2	0.5	0.9	1.2	1.0	4.3	4.5	143.9	121.0	97.9	78.8	145.8	149.0	2.9	2.7	292.6	272.7	244.5	226.1	9.1	9.4	39.0	37.2	20.
23.2	142.5	24.7	32.5	19.1	22.4	22.2	24.3	57.2	63.3	860.3	834.9	374.1	335.0	1 745.9	1 724.7	66.4	56.8	2 694.5	2 636.8	2 134.1	2 065.7	155.2	170.5	383.3	380.2	TOTAL EXPORTS

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rseas countries ". [e] Excluding ships' stores. [f] Including ships' stores. [g] Excluding bunkers. [h] Including bunkers

Exports of selected European countries and the United Sta

Millions of dollars

Exporting country and commodity group / Area of destination and period	North America		of which: United States		of which: Canada		Latin America		Overseas Sterling Area		of which: British overseas territories		of which: Union of South Africa		of which: Other in Africa		of which: Other in Asia		of which: Other in Oceania		Affiliated overseas territories [a]	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956 [c]	1957	1956	1957	1956 [c]	1957	1956	1957	1956	1957	1956 [d]	1957
NETHERLANDS																						
1. Food, drink and tobacco	48.7	50.5	44.3	45.9	4.4	4.6	19.9	23.2	65.0	65.3	46.8	40.9	1.5	1.7	1.5	8.9	12.4	10.3	2.8	3.5	34.9	27.0
of which: Live animals and meat	*25.1*	*29.0*	*25.0*	*28.9*	*0.1*	*0.1*	*2.0*	*2.0*	*3.3*	*3.7*	*2.9*	*2.8*	*0.2*	*0.5*	*0.1*	*0.3*	*0.1*	*0.1*	—	—	*3.5*	*3.2*
Dairy products	*2.2*	*2.4*	*1.7*	*1.7*	*0.5*	*0.7*	*12.0*	*12.0*	*31.0*	*27.4*	*22.8*	*19.2*	*0.1*	*0.2*	*0.9*	*2.7*	*7.2*	*5.3*	—	—	*16.7*	*11.1*
Fruit and vegetables	*3.5*	*2.9*	*2.4*	*1.9*	*1.1*	*1.0*	*1.0*	*1.3*	*3.3*	*3.8*	*2.3*	*2.0*	*0.1*	*0.2*	*0.1*	*0.3*	*0.4*	*1.0*	*0.4*	*0.3*	*2.4*	*2.2*
2. Mineral fuels and petroleum products	0.3	0.3	0.3	0.3	—	—	2.3	1.1	9.2	9.6	5.5	6.8	0.7	0.3	0.3	0.2	2.3	2.0	0.4	0.3	10.9	12.2
3. Metallic ores and base metals [g]	14.1	16.2	13.3	15.5	0.8	0.7	5.5	9.5	5.7	5.2	1.6	1.4	1.0	1.4	—	0.1	2.0	1.5	1.1	0.8	2.4	2.8
4. Oil-seeds, fats and oils	1.3	1.4	1.0	1.1	0.3	0.3	1.3	0.8	2.6	1.2	1.7	0.5	—	0.1	0.3	0.1	0.3	0.2	0.3	0.3	2.7	2.1
5. Textile fibres, natural	5.0	5.7	4.9	5.5	0.1	0.2	1.4	1.7	0.2	0.2	0.1	0.2	—	—	—	—	—	—	0.1	—	0.2	0.2
6. Selected construction materials	0.7	0.2	0.5	0.1	0.2	0.1	0.8	0.7	1.1	1.2	0.5	0.2	0.1	0.1	—	—	0.4	0.3	0.1	0.6	0.9	0.7
7. Other raw materials	11.5	12.0	9.7	9.9	1.8	2.1	1.0	1.0	0.8	0.8	0.1	0.2	0.4	0.3	—	—	0.1	0.1	0.2	0.2	0.4	0.2
8. Metal manufactures [h]	6.4	6.5	5.6	5.9	0.8	0.6	3.9	5.8	3.9	4.0	2.2	2.2	0.5	0.6	0.1	0.2	0.8	0.7	0.3	0.3	4.0	3.1
9. Power-generating (except electric) machinery	0.9	1.4	0.7	1.0	0.2	0.4	1.3	1.1	1.8	2.0	0.3	0.6	0.1	0.1	—	—	1.3	1.3	0.1	—	1.6	1.5
10. Agricultural machinery	—	—	—	—	—	—	—	0.1	0.2	0.2	—	—	0.1	0.1	—	—	—	—	0.1	0.1	—	—
11. Metal-working, mining, construction and other industrial machinery	4.2	5.4	3.4	4.6	0.8	0.8	7.1	7.5	9.2	8.8	2.6	2.8	1.2	1.7	0.1	0.2	3.5	2.5	1.8	1.6	6.8	4.5
12. Electric machinery	8.0	8.9	6.3	6.8	1.7	2.1	15.4	15.2	17.7	16.8	6.8	4.8	2.2	2.7	0.7	1.1	4.9	4.8	3.1	3.4	5.2	3.9
13. Tractors	—	—	—	—	—	—	0.1	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14. Railway vehicles	—	—	—	—	—	—	5.0	—	0.1	0.2	0.1	—	—	0.2	—	—	—	—	—	—	—	—
15. Road motor vehicles	0.2	0.1	0.2	0.1	—	—	1.0	0.6	0.6	0.7	0.2	0.3	—	0.2	—	—	0.2	0.2	0.2	—	1.2	0.9
16. Other vehicles	11.7	4.4	11.5	4.2	0.2	0.2	3.8	6.0	2.1	5.3	0.6	3.4	—	0.1	0.1	0.1	0.9	0.8	0.5	0.9	2.9	2.4
17. Chemicals	15.1	16.2	13.5	14.9	1.6	1.3	12.7	19.1	22.8	25.1	7.1	8.0	2.6	2.2	2.6	4.3	7.4	7.8	3.1	2.8	3.7	4.2
18. Textile manufactures and clothing [g h]	9.9	12.0	8.0	10.1	1.9	1.9	5.6	2.1	32.2	22.1	5.2	4.1	11.8	7.9	0.3	1.1	6.5	3.9	8.4	5.1	13.6	12.2
19. Paper, manufactures of wood and paper (excluding furniture)	1.0	1.0	0.9	0.9	0.1	0.1	1.3	1.2	4.4	4.3	1.7	1.9	0.4	0.3	—	0.1	1.3	1.1	1.0	0.9	1.4	1.6
20. All other commodities [g]	40.4	21.4	36.7	17.9	3.7	3.5	3.2	7.6	24.6	31.5	19.0	9.8	1.6	7.4	0.3	9.0	2.3	2.6	1.4	2.7	6.5	6.0
TOTAL EXPORTS	179.4	163.6	160.8	144.7	18.6	18.9	92.6	104.4	204.2	204.5	102.1	88.1	24.2	27.4	6.3	25.4	46.6	40.1	25.0	23.5	99.3	85.5
DENMARK																						
1. Food, drink and tobacco	37.5	45.4	36.3	42.7	1.2	2.7	14.0	18.0	14.5	17.2	10.3	11.0	0.1	0.5	0.1	1.0	3.6	3.8	0.4	0.9	8.2	6.2
of which: Live animals and meat	*16.6*	*23.7*	*16.4*	*23.2*	*0.2*	*0.5*	*2.8*	*4.3*	*2.9*	*3.9*	*2.6*	*3.1*	—	—	—	*0.5*	*0.3*	*0.3*	—	—	*1.3*	*1.4*
Dairy products	*14.5*	*14.5*	*13.8*	*12.9*	*0.7*	*1.6*	*7.5*	*9.2*	*7.7*	*8.4*	*4.6*	*5.0*	—	—	—	*0.1*	*3.0*	*3.2*	*0.1*	*0.1*	*5.8*	*4.1*
Cereals and cereal preparations	*0.1*	*0.3*	*0.1*	*0.3*	—	—	*1.5*	*1.6*	*1.0*	*1.5*	*0.9*	*1.1*	—	*0.1*	—	*0.1*	*0.1*	*0.1*	—	*0.1*	*0.3*	*0.2*
2. Mineral fuels and petroleum products	—	—	—	—	—	—	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Metallic ores and base metals	8.5	8.2	8.5	8.2	—	—	0.7	1.5	0.1	0.1	—	0.1	—	—	—	—	0.1	—	—	—	—	—
4. Oil-seeds, fats and oils	0.8	1.2	0.8	1.1	—	0.1	0.5	0.6	1.1	0.9	1.1	0.7	—	—	—	—	—	0.2	—	—	1.7	0.2
5. Textile fibres, natural	0.2	0.2	0.2	0.2	—	—	0.7	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Selected construction materials	1.2	0.6	0.9	0.5	0.3	0.1	1.1	1.1	0.9	0.6	0.4	0.2	0.1	0.1	—	—	0.3	0.2	0.1	0.1	0.3	0.3
7. Other raw materials	10.6	14.2	9.4	12.2	1.2	2.0	0.5	0.5	0.5	1.0	0.1	0.1	—	0.1	—	—	0.2	0.2	0.2	0.6	—	—
8. Metal manufactures	1.0	1.0	0.9	0.9	0.1	0.1	0.6	1.7	0.6	0.7	0.3	0.2	0.1	0.1	—	—	0.1	0.2	0.1	0.2	0.3	0.1
9. Power-generating (except electric) machinery	0.2	0.3	0.1	0.2	0.1	0.1	2.0	1.3	0.5	0.6	0.1	0.2	0.1	0.1	—	—	0.3	0.2	—	0.1	0.2	0.1
10. Agricultural machinery	—	—	—	—	—	—	0.2	0.3	0.2	0.3	0.1	0.1	—	—	—	—	0.1	0.2	—	—	0.1	—
11. Metal-working, mining, construction and other industrial machinery	2.9	3.1	2.1	2.5	0.8	0.6	8.0	7.2	3.8	3.6	0.4	0.4	0.6	1.4	0.1	0.1	2.3	1.2	0.4	0.5	0.8	0.2
12. Electric machinery	0.8	0.8	0.7	0.6	0.1	0.2	3.1	2.5	1.5	2.0	0.2	0.1	0.2	0.2	—	—	0.7	1.1	0.4	0.6	0.6	0.4
13. Tractors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14. Railway vehicles	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15. Road motor vehicles	0.2	0.3	0.2	0.3	—	—	—	—	—	0.1	—	—	—	0.1	—	—	—	—	—	—	—	—
16. Other vehicles	0.6	0.9	0.4	0.8	0.2	0.1	1.6	3.6	—	2.1	—	2.1	—	—	—	—	—	—	—	—	—	—
17. Chemicals	2.0	3.6	1.9	3.3	0.1	0.3	5.1	4.6	2.8	4.2	0.7	1.4	0.4	0.5	0.1	—	1.3	1.7	0.3	0.6	0.2	0.3
18. Textile manufactures and clothing	4.2	4.9	3.3	4.2	0.9	0.7	2.0	2.5	0.3	0.3	0.2	0.2	—	0.1	—	—	0.1	—	—	—	—	—
19. Paper, manufactures of wood and paper (excluding furniture)	0.6	0.8	0.5	0.7	0.1	0.1	0.2	0.1	0.4	0.3	0.4	0.2	—	—	—	—	—	—	—	0.1	—	—
20. All other commodities	6.8	9.3	6.1	8.5	0.7	0.8	1.0	1.3	1.0	1.1	0.4	0.4	0.2	0.3	—	—	0.2	0.2	0.2	0.2	0.3	0.2
TOTAL EXPORTS	78.1	94.8	72.3	86.9	5.8	7.9	41.4	46.9	28.2	35.1	14.7	17.4	1.8	3.5	0.3	1.1	9.3	9.2	2.1	3.9	12.7	8.0
NORWAY																						
1. Food, drink and tobacco	11.4	10.8	10.4	9.7	1.0	1.1	13.5	11.8	14.3	15.4	11.3	12.5	1.2	1.1	0.1	0.2	0.1	0.2	1.6	1.4	2.7	2.4
2. Mineral fuels and petroleum products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Metallic ores and base metals	20.8	16.4	20.0	16.1	0.8	0.3	0.7	1.6	3.1	5.6	0.1	0.2	0.3	1.1	—	—	1.4	3.0	1.3	1.3	0.1	0.1
of which: Ores and scrap	*0.5*	*0.1*	*0.5*	*0.1*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Iron and steel	*3.5*	*2.3*	*2.8*	*2.0*	*0.7*	*0.3*	*0.4*	*1.2*	*1.5*	*2.6*	*0.1*	*0.1*	—	*0.1*	—	—	*0.5*	*1.4*	*0.9*	*1.0*	*0.1*	*0.1*
4. Oil-seeds, fats and oils	1.3	1.2	1.2	1.2	0.1	—	0.5	0.4	0.6	0.5	0.4	0.3	—	—	—	—	0.1	0.1	0.1	0.1	0.5	—
5. Textile fibres, natural	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Selected construction materials	0.2	0.3	0.1	0.3	0.1	—	—	0.1	0.1	0.1	—	0.1	—	—	—	—	—	—	0.1	—	—	0.1
7. Other raw materials	2.9	2.8	2.9	2.8	—	—	1.4	1.3	1.3	1.5	0.1	—	0.1	0.3	—	—	0.1	0.1	1.0	1.1	0.1	0.1
8. Metal manufactures	1.2	0.7	1.1	0.6	0.1	0.1	0.4	0.2	0.3	0.4	—	0.1	0.1	—	—	—	0.2	0.2	—	0.1	—	—
9-13. Machinery	0.5	0.4	0.4	0.3	0.1	0.1	0.7	1.6	1.0	1.4	0.2	0.1	0.1	0.2	—	—	0.5	1.0	0.2	0.1	0.2	0.6
14. Railway vehicles	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15. Road motor vehicles	—	—	—	—	—	—	—	—	—	—		—	—	—	—	—	—	—	—	—	—	—
16. Other vehicles	1.1	0.1	1.1	0.1	—	—	5.3	10.0	3.8	0.9	2.5	0.4	—	—	—	—	1.3	0.5	—	—	0.1	—
17. Chemicals	3.3	2.5	3.3	2.5	—	—	1.7	1.1	1.3	1.6	0.2	0.1	0.1	0.3	0.1	0.1	0.4	0.5	0.5	0.6	—	0.1
18. Textile manufactures and clothing	1.0	0.5	0.9	0.4	0.1	0.1	0.6	0.8	0.8	0.8	0.1	0.1	0.2	0.2	—	—	0.3	0.2	0.2	0.3	—	—
19. Paper, manufactures of wood and paper (excluding furniture)	2.0	0.4	2.0	0.4	—	—	5.7	7.3	12.4	12.4	2.6	3.6	2.6	2.8	0.1	0.3	3.3	3.0	3.8	2.7	1.0	0.7
20. All other commodities	2.6	2.5	2.4	2.2	0.2	0.3	0.4	0.3	0.4	0.7	0.2	0.2	—	0.1	—	—	0.1	0.2	0.1	0.2	0.2	0.2
TOTAL EXPORTS	48.3	38.6	45.8	36.6	2.5	2.0	30.9	36.5	39.4	41.3	17.7	17.7	4.7	6.1	0.3	0.6	7.8	9.0	8.9	7.9	4.9	4.3

[a] Excluding the sterling area. [b] Including unallocated exports. [c] Ghana included in " British overseas territories " instead of " Other in Africa ". [d] Morocco and Tunisia included in " Affiliated overesas territories " instead of " Other

countries. For further details see " Sources and methods ". [i] Excluding ships' stores. [j] Including ships' stores.

ABLE XIV *(continued)*

main commodity groups and by area of destination

50 prices, f.o.b.

Other overseas countries		of which:								Total overseas countries[b]		of which:		Western Europe		Eastern Europe		Total World		of which:						Group
		In Africa		Japan		China		Other in Asia				Dollar Area								Highly industrialized countries		Semi-industrialized countries		Non-industrialized countries[b]		
1956[d]	1957	1956[d]	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	
48.1	54.6	5.8	12.6	4.3	5.1	—	—	38.0	36.9	216.6	220.6	71.5	75.4	645.9	642.7	10.2	8.9	872.7	872.2	709.1	707.2	9.3	8.5	154.3	156.5	1.
1.6	*1.5*	*0.6*	*0.5*	—	—	—	—	*1.0*	*1.0*	*35.5*	*39.4*	*27.0*	*30.8*	*134.3*	*150.3*	*0.4*	*0.5*	*170.2*	*190.2*	*159.8*	*179.8*	*0.4*	*0.8*	*10.0*	*9.6*	
29.1	*31.0*	*2.2*	*5.3*	*0.5*	*0.3*	—	—	*26.4*	*25.4*	*91.0*	*83.9*	*19.5*	*20.4*	*187.6*	*200.1*	*1.0*	*0.3*	*279.6*	*284.3*	*191.3*	*203.1*	*2.7*	*1.4*	*85.6*	*79.8*	
1.5	*1.9*	*0.8*	*1.3*	*0.1*	*0.2*	—	—	*0.6*	*0.4*	*11.7*	*12.1*	*4.1*	*3.2*	*154.7*	*140.2*	*2.6*	*1.4*	*169.0*	*153.7*	*160.9*	*144.7*	*1.1*	*1.4*	*7.0*	*7.6*	
6.6	5.7	1.4	1.5	0.1	0.3	—	—	5.1	3.9	29.3[e]	28.9[e]	0.8	0.9	248.9	262.6	—	—	307.4[f]	318.4[f]	249.3	263.2	4.9	2.6	24.0[e]	25.7[e]	2.
5.9	6.7	0.4	0.7	0.7	1.6	—	—	4.8	4.4	33.6	40.4	16.9	18.7	112.6	123.5	3.7	1.8	149.9	165.7	131.1	143.1	6.4	10.3	12.4	12.3	3.
4.3	4.1	1.2	2.1	0.3	0.2	—	—	2.8	1.8	12.2	9.6	2.3	2.0	39.0	34.6	4.9	4.8	56.1	49.0	45.5	41.0	0.5	0.5	10.1	7.5	4.
0.7	1.1	—	0.1	0.6	0.7	—	—	0.1	0.3	7.7	8.9	5.1	5.8	41.9	38.0	9.0	8.3	58.6	55.2	56.5	52.7	1.4	1.6	0.7	0.9	5.
1.7	0.8	0.2	0.2	0.3	—	—	—	1.2	0.6	5.2	3.6	1.0	0.6	11.8	11.6	0.4	0.8	17.4	16.0	13.2	12.6	1.0	1.2	3.2	2.2	6.
0.5	0.9	—	0.3	0.1	0.1	—	—	0.4	0.5	14.2	14.9	12.2	12.7	71.1	76.4	0.8	1.4	86.1	92.7	83.5	89.9	0.9	0.8	1.7	2.0	7.
4.7	4.2	0.6	0.7	—	—	—	—	4.1	3.5	22.9	23.6	13.6	11.5	17.7	20.8	0.1	0.1	40.7	44.5	24.2	27.4	1.7	1.4	14.8	15.7	8.
2.6	2.6	0.3	0.2	0.1	0.1	—	—	2.2	2.3	8.2	8.6	1.6	1.7	13.0	14.2	0.1	0.2	21.3	23.0	14.1	15.9	2.1	1.9	5.1	5.2	9.
—	—	—	—	—	—	—	—	—	—	0.3	0.3	—	—	1.4	1.8	—	—	1.7	2.1	1.4	1.8	0.2	0.2	0.1	0.1	10.
9.0	8.1	0.6	0.7	0.4	0.7	—	0.9	8.0	5.8	36.3	34.3	9.7	10.2	43.5	51.8	0.3	0.5	80.1	86.6	48.4	58.4	8.0	9.8	23.7	18.4	11.
14.4	12.7	2.9	3.2	0.3	0.3	—	—	11.2	9.2	60.8	57.5	18.2	19.0	88.4	95.2	0.5	1.6	149.7	154.3	97.2	106.0	13.8	14.6	38.7	33.7	12.
—	—	—	—	—	—	—	—	—	—	0.1	0.1	—	—	0.3	0.3	—	—	0.4	0.4	0.3	0.3	0.1	—	—	0.1	13.
2.9	0.4	2.6	0.1	—	—	—	—	0.3	0.3	8.1	0.6	—	—	0.5	2.0	—	—	8.6	2.6	0.5	2.0	5.0	0.2	3.1	0.4	14.
1.2	1.5	0.1	0.5	—	—	—	—	1.1	1.0	4.2	3.8	0.2	0.3	9.8	9.5	0.1	0.1	14.1	13.4	10.1	9.7	1.2	0.7	2.8	3.0	15
15.9	13.0	9.8	3.9	—	—	—	—	6.1	9.1	36.5	31.1	23.3	13.4	23.8	47.9	3.8	10.6	64.1	89.6	39.3	62.9	2.5	2.0	22.3	24.7	16.
25.1	32.2	2.5	6.6	2.2	2.0	0.1	1.3	20.3	22.3	79.4	96.8	22.5	26.2	108.1	125.7	5.2	8.8	192.7	231.3	130.6	152.7	16.4	23.2	45.7	55.4	17.
19.7	14.2	0.8	3.2	—	—	0.4	—	18.5	11.0	81.0	62.6	12.6	13.6	151.3	166.8	4.6	1.4	236.9	230.8	165.8	180.2	26.6	15.9	44.5	34.7	18.
2.5	2.6	0.2	0.5	—	—	—	—	2.3	2.1	10.6	10.7	1.6	1.8	32.5	37.3	0.1	0.1	43.2	48.1	33.6	38.4	3.0	2.2	6.6	7.5	19.
14.3	17.5	1.0	1.7	0.2	1.7	3.9	2.4	9.2	11.7	89.0[i]	84.0[i]	43.1	25.4	103.4	116.3	0.3	6.4	203.0[f]	218.1[f]	144.3	145.8	9.7	16.1	38.7[i]	44.8[i]	20.
180.1	182.9	30.4	38.8	9.6	12.8	4.4	4.6	135.7	126.7	756.2	740.9	256.2	239.2	1 764.9	1 879.0	44.1	55.8	2 604.7	2 714.0	1 998.0	2 111.2	114.7	113.7	452.5	450.8	TOTAL EXPORTS
5.7	9.7	0.7	2.8	0.3	0.2	—	—	4.7	6.7	79.9	96.5	45.2	58.0	501.8	521.8	12.6	17.3	594.3	635.6	552.2	584.7	8.3	8.5	33.8	42.4	1.
1.0	*1.1*	*0.2*	*0.3*	*0.1*	—	—	—	*0.7*	*0.8*	*24.6*	*34.4*	*19.3*	*27.9*	*257.7*	*270.6*	*2.2*	*6.5*	*284.5*	*311.5*	*276.6*	*300.8*	*0.2*	*0.2*	*7.7*	*10.5*	
3.5	*7.2*	*0.3*	*2.1*	*0.1*	*0.1*	—	—	*3.1*	*5.0*	*39.0*	*43.4*	*18.6*	*21.8*	*160.7*	*162.9*	*4.7*	*5.8*	*204.4*	*212.1*	*180.0*	*183.3*	*5.0*	*4.2*	*19.4*	*24.6*	
0.5	*0.6*	*0.1*	*0.2*	—	—	—	—	*0.4*	*0.4*	*3.4*	*4.2*	*0.4*	*0.8*	*26.8*	*16.2*	*1.1*	*0.3*	*31.3*	*20.7*	*28.0*	*16.8*	*1.1*	*1.1*	*2.2*	*2.8*	
—	—	—	—	—	—	—	—	—	—	0.1	—	—	—	1.6	1.5	—	—	1.7	1.5	1.6	1.5	0.1	—	—	—	2.
0.3	0.5	0.1	0.4	—	—	—	—	0.2	0.1	9.6	10.3	8.7	8.6	9.5	7.5	0.8	—	19.9	17.8	18.8	15.7	0.4	1.1	0.7	1.0	3.
0.9	1.3	0.1	0.4	—	—	—	—	0.8	0.9	5.0	4.2	1.2	1.4	10.4	14.2	0.3	0.2	15.7	18.6	11.5	15.6	—	0.2	4.2	2.8	4.
—	—	—	—	—	—	—	—	—	—	0.9	0.3	0.2	0.2	1.8	2.0	0.4	0.6	3.1	2.9	2.4	2.8	0.7	0.1	—	—	5.
0.7	1.0	—	0.1	—	—	—	—	0.7	0.9	4.2	3.6	1.5	1.5	5.0	5.6	—	—	9.2	9.2	6.2	6.2	0.8	0.5	2.2	2.5	6.
0.7	1.0	—	0.1	0.7	0.2	—	—	—	0.7	12.3	16.7	10.7	14.3	36.1	44.6	1.4	3.1	49.8	64.4	48.8	62.1	0.7	1.4	0.3	0.9	7.
0.6	0.8	0.1	0.1	—	—	—	—	0.5	0.7	3.1	4.3	1.2	2.2	6.6	7.5	—	0.1	9.7	11.9	7.6	8.6	0.7	1.1	1.4	2.2	8.
0.6	1.1	—	0.2	—	0.1	—	—	0.6	0.8	3.5	3.4	0.4	0.8	16.0	17.0	1.1	1.6	20.6	22.0	17.3	19.0	1.9	1.4	1.4	1.6	9.
0.2	0.3	—	0.1	0.1	—	—	—	0.1	0.2	0.7	0.9	0.1	0.1	5.5	5.3	0.1	0.1	6.3	6.3	5.7	5.4	0.2	0.4	0.4	0.5	10.
6.7	5.1	1.4	1.2	1.1	1.0	0.4	0.2	3.8	2.7	22.2	19.2	4.7	6.2	36.9	38.5	1.1	2.6	60.2	60.3	42.0	45.2	8.2	6.8	10.0	8.3	11.
1.4	1.2	0.3	0.3	0.1	0.1	0.1	—	0.9	0.8	7.4	6.9	1.2	1.3	20.3	17.8	0.9	1.1	28.6	25.8	22.1	19.8	3.8	3.4	2.7	2.6	12.
—	—	—	—	—	—	—	—	—	—		—	—	—	0.1	0.2	—	—	0.1	0.2	0.1	0.2	—	—	—	—	13.
—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.1	0.9	—	—	1.1	0.9	1.1	0.9	—	—	—	—	14.
—	—	—	—	—	—	—	—	—	—	0.2	0.4	0.2	0.3	4.0	5.5	—	—	4.2	5.9	4.2	5.8	—	0.1	—	—	15.
0.8	0.6	0.8	0.5	—	—	—	—	—	0.1	3.0	7.2	2.8	4.8	21.6	16.9	4.2	1.0	28.8	25.1	26.4	18.8	0.2	0.2	2.2	6.1	16.
4.8	4.3	0.9	1.5	0.3	0.2	2.6	0.4	1.0	2.2	14.9	17.0	2.7	4.9	18.9	20.2	0.8	1.3	34.6	38.5	22.0	25.3	8.5	6.0	4.1	7.2	17.
0.3	0.2	—	—	—	—	—	—	0.3	0.2	6.8	7.9	4.4	5.3	20.9	25.4	—	0.4	27.7	33.7	25.1	30.7	1.8	2.1	0.8	0.9	18.
0.1	0.2	—	—	—	—	—	—	0.1	0.2	1.3	1.4	0.7	0.9	3.8	4.2	0.1	0.2	5.2	5.8	4.5	5.2	—	0.1	0.7	0.5	19.
0.4	0.6	0.1	0.2	—	0.1	—	—	0.3	0.3	9.5	12.5	7.2	10.0	16.4	22.4	0.4	0.7	26.3	35.6	23.6	32.5	1.4	1.5	1.3	1.6	20.
24.2	27.9	4.5	7.9	2.6	1.9	3.1	0.6	14.0	17.5	184.6	212.7	93.1	120.8	738.3	779.0	24.2	30.3	947.1	1 022.0	843.2	906.0	37.7	34.9	66.2	81.1	TOTAL EXPORTS
1.0	1.7	0.4	0.5	—	—	—	—	0.6	1.2	42.9	42.1	14.3	13.0	77.7	69.9	13.7	12.2	134.3	124.2	102.8	92.9	13.7	12.5	17.8	18.8	1.
—	—	—	—	—	—	—	—	—	—	—	—	—	—	2.0	2.8	—	—	2.0	2.8	2.0	2.8	—	—	—	—	2.
0.5	1.8	—	—	0.4	1.6	—	—	0.1	0.2	25.2	25.5	20.0	16.7	89.9	89.9	3.5	2.4	118.6	117.8	114.6	110.3	3.6	6.6	0.4	0.9	3.
—	*0.1*	—	—	—	*0.1*	—	—	—	—	*0.5*	*0*	*0.5*	*0.1*	*14.1*	*11.4*	*1.2*	*1.2*	*15.8*	*12.8*	*15.8*	*12.8*	—	—	—	—	
0.4	*0.8*	—	—	*0.3*	*0.7*	—	—	*0.1*	*0.1*	*5.9*	*7.0*	*3.7*	*2.5*	*28.8*	*31.2*	*1.6*	*1.2*	*36.3*	*39.4*	*34.2*	*35.4*	*1.7*	*3.4*	*0.4*	*0.6*	
0.3	0.3	0.2	0.2	—	—	—	—	0.1	0.1	3.2	2.4	1.7	1.5	17.4	37.4	18.0	14.3	38.6	54.1	36.7	52.9	0.5	0.5	1.4	0.7	4.
—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.6	1.6	0.1	—	1.7	1.6	1.7	1.6	—	—	—	—	5.
—	—	—	—	—	—	—	—	—	—	0.3	0.6	0.2	0.5	0.6	0.6	—	—	0.9	1.2	0.8	0.9	0.1	—	—	0.3	6.
0.1	0.6	—	—	—	—	—	0.5	0.1	0.1	5.8	6.3	2.9	2.8	67.2	66.4	1.5	1.4	74.5	74.1	71.6	70.6	2.6	3.3	0.3	0.2	7.
0.2	0.1	0.1	—	—	—	—	—	0.1	0.1	2.1	1.4	1.2	0.7	4.7	3.9	—	—	6.8	5.3	5.9	4.6	0.6	0.3	0.3	0.4	8.
0.2	0.3	—	0.1	0.1	0.1	—	—	0.1	0.1	2.6	4.3	0.7	1.5	8.4	8.6	—	—	11.0	12.9	9.0	9.1	1.3	2.0	0.7	1.8	9-13.
—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.1	0.2	—	—	0.1	0.2	0.1	0.2	—	—	—	—	14.
—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.1	0.1	—	—	0.1	0.1	0.1	0.1	—	—	—	—	15.
9.3	3.7	9.3	2.8	—	0.6	—	—	—	0.3	19.6	14.7	14.1	12.2	22.9	20.3	0.5	—	43.0	35.0	24.5	21.0	1.9	0.9	16.6	13.1	16.
1.9	3.7	1.6	3.3	—	—	0.1	—	0.2	0.4	8.2	9.0	3.4	2.6	43.4	45.3	0.6	1.0	52.2	55.3	47.3	48.8	2.6	2.3	2.3	4.2	17.
0.2	0.4	0.1	—	—	—	—	—	0.1	0.4	2.6	2.5	1.4	1.1	4.3	4.8	2.4	1.9	9.3	9.2	7.7	7.2	0.7	0.6	0.9	1.4	18.
5.3	6.0	1.3	1.0	—	—	1.4	0.6	2.6	4.4	26.4	26.8	4.0	2.8	28.0	30.2	—	0.1	54.4	57.1	30.0	30.7	13.5	12.4	10.9	14.0	19
0.4	0.4	0.1	0.1	—	—	—	—	0.3	0.3	4.0	4.1	2.7	2.7	6.2	6.1	0.1	0.2	10.3	10.4	8.9	8.8	0.7	0.5	0.7	1.1	20.
19.4	19.0	13.1	8.0	0.5	2.3	1.5	1.1	4.3	7.6	142.9	139.7	66.6	58.1	374.5	388.1	40.4	33.5	557.8	561.3	463.7	462.5	41.8	41.9	52.3	56.9	TOTAL EXPORTS

rseas countries ". [e] Excluding bunkers. [f] Including bunkers. [g] Data for 1957 not fully comparable with those for 1956. For further details see " Sources and methods ". [h] Data not fully comparable with those for other

Exports of selected European countries and the United Sta

Millions of dollar

Exporting country and commodity group / Area of destination and period *	North America		of which: United States		of which: Canada		Latin America		Overseas Sterling Area		of which: British overseas territories		of which: Union of South Africa		of which: Other in Africa		of which: Other in Asia		of which: Other in Oceania		Affiliated overseas territories [a]	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956[c]	1957	1956	1957	1956[c]	1957	1956	1957	1956	1957	1956[d]	1957
SWEDEN																						
1. Food, drink and tobacco	1.4	1.8	1.3	1.6	0.1	0.2	0.6	0.9	0.1	0.2	0.1	0.1	—	—	—	—	—	—	—	0.1	2.7	0.7
2. Mineral fuels and petroleum products	0.1	—	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Metallic ores and base metals	17.1	17.1	16.1	15.9	1.0	1.2	7.5	11.8	6.9	4.0	0.4	0.2	1.0	0.9	—	0.2	4.7	2.1	0.8	0.6	0.1	0.2
of which: Ores and scrap	*6.2*	*4.7*	*6.2*	*4.7*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Iron and steel	*9.9*	*9.5*	*8.9*	*8.7*	*1.0*	*0.8*	*7.1*	*10.7*	*6.3*	*3.5*	*0.3*	*0.2*	*1.0*	*0.9*	—	*0.1*	*4.2*	*1.7*	*0.8*	*0.6*	*0.1*	*0.1*
4. Oil-seeds, fats and oils	—	0.1	—	0.1	—	—	0.1	0.1	0.2	0.3	0.2	0.3	—	—	—	—	—	—	—	—	1.6	0.4
5. Textile fibres, natural	0.2	0.2	0.2	0.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Selected construction materials	1.7	1.3	1.0	1.2	0.7	0.1	0.4	0.7	1.5	0.6	1.4	0.4	0.1	0.1	—	—	—	0.1	—	—	0.6	0.7
7. Other raw materials	23.3	17.6	23.2	17.5	0.1	0.1	18.1	17.4	13.7	11.1	0.7	0.7	2.9	1.7	0.1	0.1	4.1	3.6	5.9	5.0	3.0	1.9
of which: Timber	—	—	—	—	—	—	—	*0.1*	*5.2*	*3.9*	*0.7*	*0.7*	*2.0*	*1.2*	*0.1*	*0.1*	*1.3*	*1.4*	*1.1*	*0.5*	*2.3*	*1.7*
Pulp	*19.7*	*14.1*	*19.7*	*14.1*	—	—	*18.1*	*17.2*	*8.5*	*7.1*	—	—	*0.9*	*0.5*	—	—	*2.8*	*2.2*	*4.8*	*4.4*	*0.7*	*0.2*
8. Metal manufactures	7.2	6.9	4.0	4.6	3.2	2.3	7.0	7.0	9.8	10.4	1.0	1.2	3.5	2.7	0.1	0.4	3.7	4.7	1.5	1.4	1.0	0.7
9. Power-generating (except electric) machinery	0.6	3	0.3	0.1	0.3	0.2	3.7	2.8	2.1	2.6	0.7	0.3	0.2	0.5	—	—	0.8	1.2	0.4	0.6	0.4	0.3
10. Agricultural machinery	0.5	0.3	—	—	0.5	0.3	0.6	0.8	1.0	1.1	—	—	0.4	0.6	—	0.1	0.1	—	0.5	0.4	—	0.1
11. Metal-working, mining, construction and other industrial machinery	14.2	13.6	9.0	9.6	5.2	4.0	15.3	14.9	12.6	12.4	1.1	1.1	3.0	3.1	0.5	0.6	4.1	3.5	3.9	4.1	1.8	1.5
12. Electric machinery	1.7	2.3	1.3	1.8	0.4	0.5	14.5	15.3	5.2	7.2	0.5	0.5	0.9	1.0	—	0.1	2.7	2.2	1.1	3.4	0.7	0.4
13. Tractors	—	—	—	—	—	—	0.5	0.4	0.3	0.1	—	—	0.2	0.1	—	—	0.1	—	—	—	—	—
14. Railway vehicles	—	0.1	—	0.1	—	—	0.1	0.1	0.1	0.1	—	0.1	—	—	—	—	0.1	—	—	—	—	—
15. Road motor vehicles	3.1	10.3	3.1	10.3	—	—	8.3	9.4	0.9	1.2	0.3	0.3	0.3	0.5	—	—	0.3	0.3	—	0.1	0.8	0.9
16. Other vehicles	0.2	0.5	0.2	0.5	—	—	2.3	5.6	0.4	1.8	—	0.6	0.4	—	—	—	—	1.2	—	—	—	—
17. Chemicals	1.5	1.6	1.4	1.4	0.1	0.2	3.6	4.0	2.4	2.8	0.2	0.3	0.9	0.8	—	0.1	0.5	0.7	0.8	0.9	0.3	0.3
18. Textile manufactures and clothing	1.3	1.5	1.2	1.2	0.1	0.3	0.4	0.4	1.0	1.3	0.1	0.1	0.3	0.6	0.1	0.2	0.2	0.1	0.3	0.3	0.2	0.1
19. Paper, manufactures of wood and paper (excluding furniture)	6.6	3.7	6.2	3.3	0.4	0.4	16.6	19.9	24.0	22.1	4.6	4.8	5.9	5.8	0.8	0.9	6.6	5.6	6.1	5.0	3.2	1.7
20. All other commodities	6.1	6.6	5.3	5.9	0.8	0.7	2.8	4.2	5.0	5.2	2.9	2.7	0.9	1.0	0.1	0.5	0.5	0.4	0.6	0.6	2.6	2.3
Total exports	86.8	85.8	73.9	75.3	12.9	10.5	102.4	115.7	87.2	84.5	14.2	13.7	20.9	19.4	1.7	3.2	28.5	25.7	21.9	22.5	19.0	12.2
NINE SELECTED EUROPEAN COUNTRIES COMBINED [e]																						
1. Food, drink and tobacco	306.8	323.8	268.1	279.5	38.7	44.3	81.1	92.9	357.6	349.3	235.4	216.6	12.4	13.5	27.5	40.8	53.9	49.5	28.4	28.9	293.8	313.6
2. Mineral fuels and petroleum products	7.2	5.6	5.2	3.6	2.0	2.0	5.2	4.0	60.0	59.0	30.9	30.5	4.3	4.0	7.1	8.9	13.5	11.5	4.2	4.1	107.6	92.2
3. Metallic ores and base metals	310.8	285.2	241.2	223.3	69.6	61.9	179.7	270.8	372.1	388.6	96.7	106.3	31.4	40.8	16.9	17.9	151.7	149.7	75.4	73.9	74.1	87.0
4. Oil-seeds, fats and oils	9.2	13.0	7.9	11.0	1.3	2.0	5.1	6.7	14.5	13.5	7.1	4.8	1.1	1.4	1.0	0.6	2.3	3.8	3.0	2.9	24.2	21.6
5. Textile fibres, natural	63.5	60.1	48.2	43.8	15.3	16.3	7.6	7.1	25.2	25.5	2.4	2.0	2.4	2.2	0.2	0.4	18.0	18.8	2.2	2.1	2.2	1.9
6. Selected construction materials	64.0	50.3	43.1	36.4	20.9	13.9	24.6	25.5	90.6	90.2	41.4	38.9	7.7	6.5	8.0	8.1	15.1	21.1	18.4	15.6	28.2	29.7
7. Other raw materials	79.5	72.3	72.7	65.4	6.8	6.9	27.6	25.3	31.3	29.3	6.4	6.2	5.0	3.8	0.9	1.1	7.9	7.1	11.1	11.1	20.0	21.1
8. Metal manufactures	98.2	108.1	71.1	80.5	27.1	27.6	81.6	88.7	228.3	225.0	68.0	67.8	31.6	27.1	13.7	16.6	71.4	74.5	43.6	39.0	68.4	76.1
9. Power-generating (except electric) machinery	20.9	24.8	9.1	11.9	11.8	12.9	50.9	51.9	110.8	113.6	21.6	23.3	16.9	15.1	5.4	5.3	40.8	45.7	26.1	24.2	18.9	19.7
10. Agricultural machinery	3.2	2.9	1.7	1.6	1.5	1.3	4.2	5.5	15.9	13.6	2.7	2.4	3.0	2.9	0.9	1.0	1.2	1.4	8.1	5.9	3.1	3.3
11. Metal-working, mining, construction and other industrial machinery	156.2	167.4	106.9	117.5	49.3	49.9	184.7	208.6	394.9	431.0	78.1	81.1	54.3	59.5	21.6	20.1	155.0	176.2	85.9	94.1	76.8	83.2
12. Electric machinery	79.4	99.6	47.2	64.9	32.2	34.7	126.0	139.0	328.0	348.8	82.0	85.2	42.4	50.7	19.2	21.4	105.5	110.1	78.9	81.4	64.5	61.3
13. Tractors	6.8	8.6	4.7	4.6	2.1	4.0	29.5	24.6	44.1	57.5	6.1	6.4	10.4	12.5	2.1	2.3	7.8	8.6	17.7	27.7	5.9	8.9
14. Railway vehicles	5.5	5.8	0.4	0.3	5.1	5.5	20.7	20.5	97.5	89.8	12.3	10.9	14.1	20.5	7.5	9.9	49.2	40.6	14.4	7.9	17.0	18.6
15. Road motor vehicles	152.4	297.7	116.8	249.6	35.6	48.1	96.3	125.8	402.2	429.4	114.6	110.3	55.3	92.5	33.9	36.2	66.2	61.0	132.2	129.4	93.5	113.1
16. Other vehicles	106.7	83.6	76.3	35.2	30.4	48.4	85.7	83.3	156.4	149.7	67.5	52.3	3.4	3.2	9.7	6.1	33.5	69.5	42.3	18.6	24.5	22.4
17. Chemicals	162.6	166.8	127.1	128.8	35.5	38.0	184.4	231.1	449.8	501.7	135.0	144.8	46.6	53.8	26.1	33.8	150.6	159.0	91.5	110.3	119.0	137.2
18. Textile manufactures and clothing	331.0	312.1	236.7	217.8	94.3	94.3	79.0	73.5	568.6	530.3	139.0	125.8	107.9	100.3	35.5	41.0	97.6	72.4	188.6	190.8	214.7	240.8
19. Paper, manufactures of wood and paper (excluding furniture)	32.0	21.2	28.7	18.1	3.3	3.1	35.8	39.6	103.9	101.9	24.8	26.0	17.7	18.4	3.9	4.8	21.1	19.8	36.4	32.9	30.2	34.3
20. All other commodities	511.7	469.0	415.3	371.1	96.4	97.9	101.8	125.3	445.6	502.0	202.3	212.5	52.9	68.4	33.6	48.1	70.2	71.1	86.6	101.9	164.7	200.2
Total exports	2507.6	2577.9	1928.4	1964.9	579.2	613.0	1411.5	1649.7	4297.3	4449.7	1374.3	1354.1	520.8	597.1	274.7	324.4	1132.5	1171.4	995.0	1002.7	1451.3	1586.2
UNITED STATES [j]																						
1. Food, drink and tobacco	205.6	217.8	6.4	4.9	199.2	212.9	346.8	413.9	214.6	346.9	48.4	50.7	3.9	2.3	2.4	6.9	132.1	249.3	27.8	37.7	30.9	18.9
of which: Cereals and preparations	*22.7*	*23.7*	*1.2*	*1.1*	*21.5*	*22.6*	*170.4*	*216.2*	*138.4*	*254.7*	*16.2*	*15.7*	*2.0*	*0.1*	*2.2*	*5.2*	*118.0*	*233.7*	—	—	*19.4*	*9.4*
Fruit and vegetables	*114.6*	*128.7*	*1.1*	*0.7*	*113.5*	*128.0*	*38.3*	*46.6*	*5.1*	*6.9*	*4.0*	*4.9*	*0.4*	*0.7*	—	*0.1*	*0.1*	*0.5*	*0.6*	*0.7*	*1.0*	*1.1*
Tobacco	*3.9*	*3.9*	*0.6*	*0.4*	*3.3*	*3.5*	*27.2*	*27.2*	*50.6*	*60.9*	*17.1*	*16.4*	*0.7*	*0.6*	—	*1.0*	*6.4*	*7.7*	*26.4*	*35.2*	*6.2*	*4.6*
2. Mineral fuels and petroleum products	259.0	276.8	0.1	1.2	258.9	275.6	119.3	154.4	27.3	38.6	5.7	8.1	4.7	8.2	0.5	2.1	7.2	9.3	9.2	10.9	33.2	34.4
3. Metallic ores and base metals	280.2	276.3	0.3	0.4	279.9	275.9	188.5	263.3	50.6	54.9	7.9	9.4	9.2	9.0	0.3	1.0	24.9	28.4	8.3	7.1	3.4	3.8
of which: Iron and steel	*203.2*	*199.2*	*0.3*	*0.3*	*202.9*	*198.9*	*153.7*	*221.5*	*38.4*	*44.9*	*7.6*	*8.5*	*8.7*	*8.3*	*0.2*	*0.9*	*14.1*	*20.6*	*7.8*	*6.6*	*3.2*	*3.6*
4. Oil-seeds, fats and oils	60.0	56.7	0.5	0.2	59.5	56.5	87.3	49.2	9.7	9.7	0.4	0.4	8.0	4.8	0.7	0.3	0.6	3.0	—	1.2	12.6	3.2
5. Textile fibres, natural	41.4	57.1	—	—	41.4	57.1	22.2	36.4	52.3	86.2	10.7	16.4	3.8	6.1	0.4	1.8	30.1	49.4	7.3	12.5	6.7	3.8
6. Selected construction materials	63.9	61.9	0.1	0.2	63.8	61.7	32.8	40.7	4.9	8.1	1.7	2.3	1.0	1.3	0.3	0.4	1.2	2.4	0.7	1.7	1.1	1.3
7. Other raw materials	111.1	121.4	0.1	0.3	111.0	121.1	62.4	63.5	39.0	43.6	4.9	6.2	9.6	12.5	0.1	—	4.4	5.8	20.0	19.1	2.5	2.0
8. Metal manufactures	71.4	70.3	0.4	0.6	71.0	69.7	67.5	89.6	12.9	18.9	4.2	7.6	2.6	3.0	0.4	0.8	4.4	5.6	1.3	1.9	2.5	3.5
9. Power-generating (except electric) machinery	51.8	50.1	0.1	0.1	51.7	50.0	44.8	61.4	12.2	11.1	2.8	3.2	1.2	1.6	0.2	0.3	3.3	2.9	4.7	3.1	3.6	3.9
10. Agricultural machinery	45.3	47.7	—	—	45.3	47.7	21.8	25.0	8.0	8.6	0.9	0.8	2.7	3.4	0.2	0.3	0.8	1.5	3.4	2.6	3.9	1.8
11. Metal-working, mining, construction and other industrial machinery	376.9	364.4	0.5	0.6	376.4	363.8	345.9	456.0	128.5	137.9	28.6	33.6	21.9	23.2	4.8	7.4	43.5	42.6	29.7	31.1	26.4	28.7
12. Electric machinery	142.0	133.8	1.7	1.5	140.3	132.3	140.1	160.9	23.4	34.3	4.0	5.6	5.1	5.9	0.4	0.6	8.1	13.9	5.8	8.3	4.0	4.3
13. Tractors	81.2	79.3	—	0.1	81.2	79.2	55.4	89.5	31.5	47.6	6.3	7.1	6.6	9.0	1.2	2.6	5.3	10.4	12.1	18.5	9.9	11.0
14. Railway vehicles	12.2	15.1	—	0.2	12.2	14.9	32.9	57.6	8.7	7.4	0.7	0.4	0.9	0.6	0.1	—	6.6	6.1	0.4	0.3	1.1	0.3
15. Road motor vehicles	297.9	242.4	1.1	0.9	296.8	241.5	342.7	401.4	97.1	91.4	15.6	12.2	35.2	37.9	1.6	2.4	32.4	28.3	12.3	10.6	29.0	20.8
16. Other vehicles	27.0	25.2	—	0.1	27.0	25.1	49.2	101.4	21.4	16.0	1.7	4.8	5.2	0.6	0.2	0.5	6.1	1.7	8.2	8.4	2.4	3.9
17. Chemicals	183.2	194.4	1.0	1.2	182.2	193.2	321.3	377.3	74.9	90.0	12.3	19.2	18.1	21.7	1.3	2.3	31.1	30.6	12.1	16.2	8.9	9.7
18. Textile manufactures and clothing	94.7	112.6	1.6	1.5	93.1	111.1	140.5	153.7	62.9	75.9	20.8	23.1	34.6	44.1	0.3	0.6	2.7	2.3	4.5	5.8	11.0	10.7
of which: Cotton fabrics	*34.5*	*43.8*	*0.1*	*0.2*	*34.4*	*43.6*	*45.3*	*50.6*	*15.6*	*21.8*	*3.8*	*4.2*	*9.7*	*16.0*	—	*0.1*	*0.6*	*0.3*	*1.5*	*1.2*	*1.9*	*2.4*
19. Paper, manufactures of wood and paper (excluding furniture)	44.5	47.4	0.4	0.5	44.1	46.9	60.2	65.9	12.5	13.9	2.9	3.7	7.0	6.7	0.5	0.6	0.8	0.9	1.3	2.0	1.4	1.4
20. All other commodities	229.2	248.4	2.4	1.8	226.8	246.6	206.7	248.7	85.3	91.0	29.9	33.7	15.1	17.3	0.9	2.0	32.8	29.7	6.6	8.3	14.5	15.5
Unspecified	460.4	383.7	1.8	0.7	458.6	383.0	279.8	182.5	72.0	31.3	33.5	9.0	18.7	—	1.0	—	12.2	—	6.6	22.3	74.8	18.1
Total exports	3138.9	3082.8	18.5	17.0	3120.4	3065.8	2968.1	3492.3	1049.7	1263.3	243.9	257.5	215.1	219.2	17.8	32.9	390.6	524.1	182.3	229.6	283.8	201.0

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[a] Excluding the sterling area. [b] Including unallocated exports. [c] Ghana included in " British overseas territories " instead of " Other in Africa ", except for France and the United Kingdom. [d] Morocco and Tunisia included in " Affiliated

[f] Excluding ships' stores. [g] Including ships' stores. [h] Excluding bunkers [i] Including bunkers [j] Exports to unspecified destinations are not available by commodity groups for all destinations. For further details see " Sources and methods ".

ABLE XIV *(concluded)*

y main commodity groups and by area of destination

950 prices, f.o.b.

Other overseas countries		of which:								Total overseas countries[b]		of which:		Western Europe		Eastern Europe		Total World		of which:						Group
		In Africa		Japan		China		Other in Asia				Dollar Area								Highly industrialized countries		Semi-industrialized countries		Non-industrialized countries[b]		
1956[d]	1957	1956[d]	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	
0.1	0.8	—	0.6	—	—	—	—	0.1	0.2	5.1	4.4	1.7	2.3	45.5	70.0	6.5	11.4	57.1	85.8	53.4	83.2	0.3	0.6	3.4	2.0	1.
—	—	—	—	—	—	—	—	—	—	0.1	—	0.1	—	2.2	3.0	—	—	2.3	3.0	2.3	3.0	—	—	—	—	2.
2.4	4.3	0.2	0.2	1.1	2.6	0.2	0.2	0.9	1.3	34.2	37.4	18.0	18.2	187.6	187.0	9.1	10.1	230.9	234.5	214.9	216.8	13.0	14.6	3.0	3.1	3.
—	—	—	—	—	—	—	—	—	—	*6.3*	*4.7*	*6.2*	*4.8*	*96.8*	*97.7*	*5.3*	*5.6*	*108.4*	*108.0*	*108.3*	*108.0*	—	—	*0.1*	—	
2.3	*3.8*	*0.2*	*0.1*	*1.1*	*2.3*	*0.2*	*0.2*	*0.8*	*1.2*	*25.7*	*27.6*	*10.7*	*10.5*	*65.5*	*65.0*	*3.7*	*4.3*	*94.9*	*96.9*	*80.2*	*81.1*	*12.1*	*13.1*	*2.6*	*2.7*	
—	0.2	—	0.2	—	—	—	—	—	—	1.9	1.1	—	0.1	13.2	10.8	1.0	2.0	16.1	13.9	14.2	12.9	—	—	1.9	1.0	4.
0.1	0.2	—	—	—	—	—	—	0.1	0.2	0.4	0.4	0.2	0.2	4.3	3.6	0.4	0.7	5.1	4.7	4.9	4.5	—	—	0.2	0.2	5.
1.0	1.0	—	0.1	—	—	—	—	1.0	0.9	5.2	4.3	2.0	1.6	4.3	4.7	—	—	9.5	9.0	6.0	6.0	0.1	0.2	3.4	2.8	6.
4.3	4.8	1.5	2.7	0.8	0.3	0.4	0.1	1.6	1.7	62.5	52.8	25.9	19.5	347.7	365.3	6.7	7.8	416.9	425.9	378.5	391.0	27.9	24.8	10.5	10.1	7.
1.5	*2.3*	*0.7*	*1.2*	—	—	—	—	*0.8*	*1.1*	*9.0*	*8.0*	—	—	*129.8*	*146.6*	*2.0*	*1.0*	*140.8*	*155.6*	*131.8*	*147.6*	*3.1*	*1.8*	*5.9*	*6.2*	
2.5	*2.3*	*0.8*	*1.5*	*0.5*	*0.2*	*0.4*	*0.1*	*0.8*	*0.5*	*49.5*	*40.9*	*22.3*	*15.9*	*204.7*	*204.7*	*3.1*	*4.1*	*257.3*	*249.7*	*228.0*	*223.1*	*24.8*	*22.9*	*4.5*	*3.7*	
3.9	3.6	0.4	0.5	0.2	0.3	0.9	0.4	2.4	2.4	28.9	28.6	10.3	9.7	31.3	33.7	1.2	1.6	61.4	63.9	39.9	42.5	12.4	10.0	9.1	11.4	8.
2.1	1.5	0.4	0.1	0.2	0.2	0.7	0.3	0.8	0.9	8.9	7.5	1.7	1.2	10.2	12.2	1.0	0.7	20.1	20.4	12.0	13.4	4.9	4.6	3.2	2.4	9.
0.1	0.1	—	—	—	—	—	—	0.1	0.1	2.3	2.4	0.6	0.4	8.3	8.1	0.2	0.2	10.8	10.7	9.0	8.6	1.4	1.7	0.4	0.4	10.
7.2	25.9	0.6	1.0	2.6	3.5	0.3	18.3	3.7	3.1	51.1	68.3	21.8	19.8	77.3	81.3	4.2	10.5	132.6	160.1	98.3	108.9	20.2	38.4	14.1	12.8	11.
3.9	4.2	1.9	0.8	0.1	0.2	0.1	0.4	1.8	2.8	26.0	29.4	10.9	13.6	28.7	26.3	1.9	2.1	56.6	57.8	32.4	30.9	11.8	13.4	12.4	13.5	12.
0.1	0.2	—	—	—	—	—	—	0.1	0.2	0.9	0.7	0.2	0.1	3.3	2.6	—	—	4.2	3.3	3.3	2.6	0.4	0.3	0.5	0.4	13.
—	0.1	—	—	—	—	—	—	—	0.1	0.2	0.4	—	0.1	4.1	4.0	0.5	—	4.8	4.4	4.6	4.1	0.2	0.1	—	0.2	14.
0.9	1.4	0.1	0.5	—	—	—	—	0.8	0.9	14.0	23.2	3.6	10.7	20.8	21.5	—	—	34.8	44.7	23.9	31.8	7.8	8.9	3.1	4.0	15.
5.8	7.4	5.5	7.3	—	—	—	—	0.3	0.1	8.7	15.3	7.2	12.1	54.5	84.8	10.9	2.0	74.1	102.1	65.6	87.3	1.0	2.4	7.5	12.4	16.
1.3	1.8	0.3	0.3	0.2	0.2	0.1	0.3	0.7	1.0	9.3	10.5	2.3	2.4	32.7	31.4	2.2	2.5	44.2	44.4	36.6	35.7	5.0	5.8	2.6	2.9	17.
0.3	0.7	—	0.2	—	—	—	0.1	0.3	0.4	3.4	4.0	1.5	1.6	14.7	16.3	3.2	4.3	21.3	24.6	19.2	22.1	1.0	1.5	1.1	1.0	18.
8.4	10.3	1.6	2.7	0.2	0.2	1.4	1.0	5.2	6.4	58.8	57.7	13.6	8.5	98.9	106.6	1.6	2.1	159.3	166.4	107.3	112.6	24.0	28.3	28.0	25.5	19.
2.5	2.0	0.1	0.3	0.1	0.1	0.3	0.7	2.0	0.9	19.2	20.3	8.0	9.2	28.2	31.7	0.9	2.9	48.3	54.9	35.3	41.3	2.9	3.9	10.1	9.7	20.
44.4	70.5	12.6	17.5	5.5	7.6	4.4	21.8	21.9	23.6	341.1	368.7	129.6	131.3	1 017.8	1 104.9	51.5	60.9	1 410.4	1 534.5	1 161.6	1 259.2	134.3	159.5	114.5	115.8	TOTAL EXPORTS
200.8	225.1	96.7	111.6	14.0	13.4	2.4	3.3	87.7	96.8	1 240.6[f]	1 304.7[f]	368.3	392.7	2 225.0	2 431.0	122.2	122.3	3 597.7[g]	3 867.7[g]	2 668.0	2 890.5	86.5	86.8	833.3[f]	880.7[f]	1.
66.4	57.9	48.3	42.9	0.9	1.2	—	0.2	17.2	13.6	246.4[h]	218.9[h]	8.8	7.9	1 277.5	1 203.5	0.8	0.3	1 642.7[i]	1 525.9[i]	1 286.4	1 210.6	21.8	18.1	216.5[h]	194.0[h]	2.
168.5	214.2	34.0	30.8	18.9	46.5	7.4	9.6	108.2	127.3	1 106.3	1 246.1	422.2	425.6	1 679.7	1 720.0	155.4	154.9	2 941.4	3 121.0	2 164.8	2 206.6	312.5	377.4	464.1	537.0	3.
13.7	14.3	6.4	7.9	0.5	0.5	—	—	6.8	5.9	66.8	69.2	13.2	15.9	149.8	158.4	27.5	28.5	244.1	256.1	187.0	200.4	5.2	8.3	51.9	47.4	4.
49.6	48.3	4.7	4.4	19.5	20.8	19.8	14.5	5.6	8.6	148.5	142.9	66.5	63.7	476.3	495.1	41.2	44.0	666.0	682.0	600.5	620.0	46.4	40.6	19.1	21.4	5.
27.7	26.9	6.9	5.5	1.0	1.6	—	0.1	19.8	19.7	235.1	222.6	81.3	69.1	161.5	171.3	1.1	1.9	397.7	395.8	227.6	225.1	38.3	44.4	131.8	126.3	6.
22.4	22.7	11.8	12.1	3.4	2.3	0.4	1.0	6.8	7.3	181.1	170.8	86.9	77.7	840.5	835.2	17.1	19.6	1 038.7	1 025.6	940.5	929.4	42.3	41.0	55.9	55.2	7.
82.8	79.8	23.2	19.4	1.2	2.6	1.2	1.0	57.2	56.8	559.6	577.9	158.7	167.3	343.3	346.1	6.4	7.5	909.3	931.5	449.1	464.3	145.7	143.4	314.5	323.8	8.
46.7	44.3	14.8	10.7	0.9	1.8	1.0	0.7	30.0	31.1	248.2	254.4	36.5	40.5	213.3	252.7	9.9	8.6	471.4	515.7	245.0	287.9	113.0	114.7	113.4	113.1	9.
3.3	3.5	0.9	1.1	0.2	0.3	0.2	—	2.0	2.1	29.9	28.8	4.8	4.6	66.8	70.3	2.4	0.9	99.1	100.0	72.6	74.4	14.6	13.5	11.9	12.1	10.
167.6	204.5	45.4	34.7	19.4	39.3	3.7	26.3	99.1	104.2	980.4	1 094.7	260.1	283.6	1 114.7	1 206.4	35.2	65.2	2 130.3	2 366.3	1 325.5	1 478.3	367.3	453.2	437.5	434.8	11.
110.2	115.2	33.1	27.0	3.5	4.7	2.7	5.1	70.9	78.4	709.0	764.4	149.0	179.2	626.7	673.7	18.3	28.7	1 354.0	1 466.8	727.9	806.7	262.8	290.8	363.3	369.3	12.
10.3	9.9	2.4	2.5	0.2	0.4	3.2	1.2	4.5	5.8	96.6	109.5	12.0	15.5	97.5	96.4	0.4	0.6	194.5	206.5	104.9	106.0	63.2	66.8	26.4	33.7	13.
10.6	11.4	5.2	5.5	0.7	0.8	—	—	4.7	5.1	151.4	146.1	11.1	12.6	55.9	62.5	1.9	1.3	209.2	209.9	64.0	70.4	87.1	79.8	58.1	59.7	14.
92.4	94.7	32.6	33.5	5.0	3.8	3.0	1.9	51.8	55.5	836.8	1 061.0	191.2	345.2	635.0	634.7	4.8	10.9	1 476.6	1 706.6	797.2	947.1	300.1	342.9	379.3	416.6	15.
121.4	165.9	85.2	110.7	0.2	2.0	1.4	0.9	34.6	52.3	494.8	504.9	247.5	262.4	396.0	461.4	60.8	31.8	951.6	998.1	563.7	578.8	83.2	86.1	304.7	333.2	16.
298.2	347.0	63.8	80.6	56.8	53.5	58.6	68.4	119.0	144.5	1 215.3	1 384.4	256.4	286.2	1 222.9	1 371.8	60.7	80.5	2 498.9	2 836.7	1 503.0	1 672.6	407.5	471.4	588.4	692.7	17.
194.3	186.1	57.0	61.2	9.6	11.7	5.9	5.5	121.8	107.7	1 388.4	1 343.0	383.2	360.1	1 342.9	1 419.5	56.0	68.8	2 787.3	2 831.3	1 739.5	1 812.1	392.4	357.6	655.4	661.6	18.
36.9	39.4	12.8	14.2	0.5	0.6	3.6	1.9	20.0	22.7	238.9	236.4	46.6	34.2	277.3	300.3	5.0	6.5	521.2	543.2	314.8	328.6	88.6	89.0	117.8	125.6	19.
184.2	182.8	75.5	73.6	10.3	12.1	10.4	10.7	88.0	86.4	1 408.7[f]	1 479.9[f]	579.7	548.2	1 145.2	1 268.6	21.5	41.6	2 589.1[g]	2 805.4[g]	1 688.7	1 791.3	231.7	270.6	655.0[f]	728.2[f]	20.
1 908.0	2 093.9	660.7	689.9	166.7	219.9	124.9	152.3	955.7	1 031.8	11 582.8	12 360.6	3 384.0	3 592.2	14 347.8	15 178.9	648.6	724.4	26 720.8	28 392.1	17 670.7	18 701.1	3 110.2	3 396.4	5 798.3	6 166.4	TOTAL EXPORTS
409.8	389.5	48.5	24.4	117.2	129.9	—	—	244.1	235.2	1 315.4	1 464.3	537.5	623.9	1 265.0	1 027.0	2.7	30.4	2 583.1	2 521.7	1 590.5	1 405.1	247.2	407.5	637.7	631.8	1.
267.4	*253.7*	*34.3*	*8.4*	*95.9*	*108.6*	—	—	*137.2*	*136.7*	*632.1*	*766.8*	*155.6*	*208.6*	*685.3*	*515.1*	*2.3*	*27.9*	*1 319.7*	*1 309.8*	*806.2*	*675.3*	*179.5*	*323.8*	*320.2*	*301.6*	
5.8	*9.3*	*0.1*	*0.3*	*1.3*	*2.4*	—	—	*4.4*	*6.6*	*220.2*	*232.4*	*154.0*	*175.5*	*128.2*	*108.9*	—	*0.1*	*348.4*	*341.4*	*244.1*	*240.1*	*5.2*	*7.6*	*43.7*	*53.9*	
55.0	*43.9*	*12.8*	*13.5*	*6.1*	*3.8*	—	—	*36.1*	*26.6*	*145.6*	*142.0*	*30.0*	*28.2*	*282.5*	*272.8*	*0.4*	*0.5*	*428.5*	*415.3*	*292.9*	*281.0*	*35.3*	*44.1*	*97.6*	*88.7*	
78.2	132.9	3.1	5.8	61.1	94.9	—	—	14.0	32.2	586.4	654.9	332.6	382.8	564.2	741.5	—	2.0	1 150.6	1 398.4	884.3	1 115.2	107.5	127.7	89.4	137.7	2.
179.0	275.4	2.6	2.3	141.7	224.7	—	—	34.7	48.4	725.4	887.3	424.4	488.4	343.9	401.6	0.3	3.1	1 069.6	1 292.0	766.1	905.7	134.0	144.3	145.8	228.4	3.
59.9	*119.4*	*2.4*	*2.2*	*27.0*	*74.7*	—	—	*30.5*	*42.5*	*475.5*	*597.8*	*322.1*	*383.7*	*108.5*	*119.8*	*0.3*	*3.1*	*584.3*	*720.7*	*339.0*	*396.8*	*92.9*	*101.7*	*135.3*	*213.0*	
147.5	168.0	9.0	17.2	101.5	108.9	—	—	37.0	41.9	320.8	288.6	101.9	99.0	487.0	453.6	2.8	19.0	810.6	761.2	651.3	638.2	67.5	26.0	88.1	95.2	4.
251.6	313.8	1.3	4.2	193.6	245.2	—	—	56.7	64.4	378.3	499.4	60.7	86.3	469.9	724.1	1.8	27.5	850.0	1 251.0	706.7	1 053.9	46.2	77.0	93.0	118.0	5.
11.1	11.5	0.3	0.5	3.9	1.5	—	—	6.9	9.5	140.6	140.7	95.0	99.6	14.4	11.9	—	—	155.0	152.6	82.2	75.3	11.6	18.8	34.4	41.3	6.
74.5	87.7	1.0	3.0	62.3	68.1	—	—	11.2	16.6	314.9	333.6	160.1	170.0	217.4	284.0	1.1	2.1	533.4	619.7	391.9	475.6	70.9	70.6	45.2	58.1	7.
21.7	23.0	1.4	1.3	4.1	3.0	—	—	16.2	18.7	237.2	248.2	136.7	153.0	18.7	16.4	—	—	255.9	264.6	94.2	89.7	20.9	28.9	79.6	103.1	8.
23.4	32.6	1.2	1.2	6.6	13.1	—	—	15.6	18.3	147.0	166.3	89.8	100.0	32.2	29.5	—	—	179.2	195.8	90.6	92.7	30.2	38.2	47.2	57.7	9.
2.9	4.8	0.2	0.9	0.1	0.1	—	—	2.6	3.8	92.4	95.0	60.9	62.7	7.0	6.7	0.7	0.1	100.1	101.8	53.1	54.6	18.7	21.4	17.8	18.7	10.
134.7	177.0	11.3	8.6	35.0	75.0	—	—	88.4	93.4	1 137.1	1 247.0	664.8	705.8	284.5	302.2	0.8	0.7	1 422.4	1 549.9	697.2	742.3	227.7	288.6	372.8	436.0	11.
54.0	60.1	2.6	2.6	11.6	8.6	—	—	39.8	48.9	447.6	448.1	265.3	265.1	59.9	69.2	0.1	0.1	507.6	517.4	213.6	211.7	70.6	93.8	139.3	157.2	12.
12.9	22.7	1.5	5.1	0.8	2.1	—	—	10.6	15.5	202.8	257.6	126.3	143.9	23.9	29.7	0.1	—	226.8	287.3	106.0	111.1	44.3	69.2	64.6	99.5	13.
16.4	11.3	3.2	0.1	0.1	0.2	—	—	13.1	11.0	72.9	92.8	39.8	38.8	3.2	3.7	—	—	76.1	96.5	15.5	19.0	34.2	50.1	24.8	26.3	14.
95.6	87.5	9.5	5.7	4.0	5.4	—	—	82.1	76.4	920.2	880.6	552.8	495.1	89.9	67.4	—	—	1 010.1	948.0	391.8	315.2	233.4	280.6	327.0	315.1	15.
18.1	46.4	11.3	30.3	1.5	3.8	—	—	5.3	12.3	137.7	204.3	75.3	124.2	78.1	103.1	—	—	215.8	307.4	106.6	132.1	36.9	48.9	52.7	115.0	16.
144.3	182.0	5.8	9.2	53.7	67.9	—	—	84.8	104.9	828.1	919.1	436.5	496.1	270.3	317.3	0.1	0.6	1 098.5	1 237.0	507.3	580.2	219.4	243.4	276.3	347.7	17
92.7	106.0	4.0	5.3	2.6	7.9	—	—	86.1	92.8	529.0	543.5	272.7	309.7	64.2	76.7	—	0.3	593.2	620.5	161.5	197.5	63.3	74.6	241.2	263.8	18
39.7	*46.2*	*0.4*	*1.9*	*0.1*	*0.1*	—	—	*39.2*	*44.2*	*167.7*	*184.9*	*104.0*	*128.2*	*2.7*	*5.7*	—	—	*170.4*	*190.6*	*37.3*	*49.6*	*12.2*	*18.2*	*90.2*	*117.1*	
17.7	23.7	0.3	0.5	1.2	1.4	—	—	16.2	21.8	158.7	169.3	109.9	118.3	30.1	37.4	0.2	0.1	189.0	206.8	76.0	86.3	22.9	25.8	67.7	77.7	19
116.3	142.9	10.1	9.5	13.9	18.1	—	—	92.3	115.3	830.2	878.4	424.3	485.1	212.1	242.7	0.4	1.9	1 042.7	1 123.0	455.6	511.1	117.1	121.9	291.8	358.1	20
48.6	13.2	—	—	3.8	—	—	—	44.8	13.2	—131.2	—67.6	724.2	566.9	131.2	66.9	—	0.7	—	—	595.4	451.3	130.1	68.2	341.3	176.9	
1 951.0	2 312.0	128.2	137.7	820.3	1 079.8	—	—	1 002.5	1 094.5	9 391.5	10 351.4	5 691.5	6 014.7	4 667.1	5 012.6	11.1	88.6	14 069.7[k]	15 452.6[k]	8 637.4	9 263.8	1 954.6	2 325.5	3 477.7	3 863.3	TOTAL EXPORTS

overseas territories ” instead of “ Other overseas countries ”, except for France and the United Kingdom.   [e] Belgium-Luxembourg, Denmark, France, western Germany, Italy, the Netherlands, Norway, Sweden and the United Kingdom.

[k] Excluding special categories.

Appendix B

NOTES ON SOURCES AND METHODS

(For page references to the notes on particular tables, see the Table of Contents, pp. iv–viii)

GENERAL

As in previous years, the statistics given should be regarded in the first place as basic documentation for the economic analysis made in the SURVEY. They are therefore somewhat different in nature from statistics normally published in statistical yearbooks and other publications of a purely statistical nature. First, when no official figures are available, it is often preferable to have an estimate rather than no figure at all. Consequently, estimated figures which have a wider margin of error than is usually allowed in statistical publications are sometimes shown in the various tables. In the second place, the available national statistics have, for the sake of comparability as between countries, often been adjusted to more uniform definitions. For this reason, the figures shown differ in many instances from those given in national publications, or in other publications of the United Nations and its specialized agencies. Finally, the methods of compilation have been chosen with a view to the special use for which the data are intended. This does not necessarily mean that for other purposes other methods might not have been preferable.

Where a table gives totals for a number of countries, these totals always refer to the same group of countries for each period shown. In cases where figures for a given country are not available for one or more periods, estimates of these missing figures are included in the totals. Except where otherwise stated, area totals include estimates for those countries for which no data are available, or assume that the series for the missing country moved in proportion to the average for the other countries.

Slight discrepancies between constituent items and the totals shown in the tables are due to rounding.

In most cases, the tables include information received up to 15 February 1959. In general, the more recent figures are to be regarded as provisional, and subject to revision.

Methods of Reference to Sources

Wherever the sources for a table have been few and the methods used self-evident, the necessary references have been given under the table. All sources referred to in this appendix are listed systematically at the end of the SURVEY and are given a number, by which they are referred to in the succeeding notes.

Information on sources is given in the following order: first the department, institution, or other authority responsible for the publication (or in the case of books, the author);[1] where the site of the issuing authority is not the capital city, the place of issue is indicated, this being followed by the title of the publication; the place of publication is then given, if different from the place of issue, and is followed by the mention of the publishing house (where different from the issuing authority) and (for non-periodical literature) the date of publication. Finally, for periodicals an indication is given of the frequency of publication. Such details are omitted when they are already apparent from the wording of the title (e.g., *Monthly Digest of Statistics* for periodicity, and *Monthly Report of the Deutsche Bundesbank* for both periodicity and issuing authority). The publisher is not normally mentioned for official publications. In addition to the foregoing exceptions, there are a few cases where full bibliographical detail is not known. If no particular issue of a periodical is indicated, it is to be understood that various issues of it were used as a source for the statistics.

For national trade statistics in Chapters II-III, the following national sources were used: Austria **2.2**; Belgium **3.2**; Denmark **6.3**, **6.4**; Finland **7.3**, **7.4**; France **8.3**, **8.4**; western Germany **10.2 (i) (ii) (iii) (iv)**, **10.13**; Greece **11.1**; Iceland **13.1**, **13.2**; Ireland **14.2**, **14.3**; Italy **15.2**, **15.3**; Netherlands **17.1**, **17.2**; Norway **18.1**, **18.2**; Portugal **20.1**, **20.2**; Spain **22.1**, **22.2**, **22.3**; Sweden **23.3**, **23.4**; Switzerland **24.1**, **24.2**, **24.3**; Turkey **25.1**, **25.2**, **25.3**; United Kingdom **27.3**, **27.4**, **27.5**, **27.6**; Yugoslavia **28.1**, **28.5**, **28.6**, **28.8**; United States **29.9**.

In the sources to certain tables relating to eastern Europe and the Soviet Union, reference is made to plans, plan fulfilment reports, statistical yearbooks and bulletins. The sources in which such information can be found are set out in the table below (reference is to the list of sources on pp. 10-16 of Appendix B).

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[1] For newspapers and ordinary commercial periodicals, this information is not given.

Country	Plan			Plan fulfilment report		Statistical yearbook	Statistical bulletin
	1958	1959	1965	1957	1958		
Albania	**1.1** (9.II.58)	**1.1** (30.XII.58)	**1.1** (5.XI.58) **1.3** (5.58)	**1.1** (31.I.58)	**1.1** (1.II.59)	. .	. .
Bulgaria	**4.1** (12.XII.57)	. .	**4.1** (20.I.59)	**4.6** (28.I.58)	**4.1** (25.I.59)	**4.2**	**4.5**
Czechoslovakia	**5.1** (9.II.58)	**5.1** (24.XII.58)	**5.1** (19.VI.58)	**5.1** (7.II.58)	**5.1** (11.II.59)	**5.9**	**5.7**
Eastern Germany	**9.4** (II.58)	**9.5** (21.I.59)	. .	**9.2** (1.58)	**9.5** (3.II.59)	**9.1**	**9.3; 9.2**
Hungary	**12.5** (29.I.58)	**12.5** (10.XII.58)	. .	**12.5** (2.II.58)	**12.5** (18.I.59)	**12.1**	**12.6**
Poland	**19.4** (28.XII.57)	**19.4** (21.XII.58)	**19.4** (29.X.58)	**19.4** (15.II.58)	**19.4** (10.II.59)	**19.1**	**19.5**
Rumania	**21.2** (25.II.58)	. .	. .	**21.3** (17.II.58)	. .	**21.1**	**21.4**
Soviet Union	**26.1** (20.XII.57)	**26.1** (23.XII.58)	**26.2** (8.II.59)	**26.1** (27.I.58)	**26.1** (16.I.59)	**26.22** to **26.28**	. .

For references to current five-year plans and to reports on 1957 see Appendix B (p. 2) of the SURVEY for 1957. No 1965 plans have yet been enacted by the respective legislatures: references are to party directives or other official proposals.

I. RECENT ECONOMIC DEVELOPMENTS IN EASTERN EUROPE AND THE SOVIET UNION

Industrial employment and productivity in eastern Europe and the Soviet Union (Table 3)

Data were taken from statistical yearbooks, plan fulfilment reports and **1.2** (9 February and 14 December 1958). Productivity was computed by dividing gross industrial output by average annual " productive " employment (variously defined). The manpower statistics were derived from productivity and gross output index-numbers, and owing to certain differences in coverage may not agree with manpower statistics derived from employment returns. Data cover state industry in Bulgaria, Hungary and the Soviet Union, state and co-operative industry in Albania (except for 1959 Plan : Ministry of Industry and Mining only) and Rumania, centrally-managed industry in eastern Germany, and all industry in Czechoslovakia and Poland.

The Bulgarian data for the 1958 Plan were taken from Decree No. 508 of 1957 (**4.1** 12 December 1957). The Plan Fulfilment Report stated, however, that the 6 per cent increment in productivity represented a 3 per cent, and the 16 per cent increment in gross industrial output a 6 per cent, overfulfilment of the Plan. This was assumed to imply a plan-revision in the course of the year rather than a restatement of the original plan target in terms of a revised base quantity (i.e., final 1957 data replacing provisional 1957 data), since the provisional and final data for gross industrial production were the same. For the revision of the plan increments to have resulted only from an adjustment of the base, the final figure for 1957 employment would need to have been lower than the provisional figure, and in turn the provisional statistics would need to have shown a decline in productivity during 1957. The 1957 Plan Fulfilment Report in **4.1** (28 January 1958), however, which provides provisional data, stated that the labour productivity target had been over-fulfilled by 5 per cent.

Gross fixed investment in the Soviet Union and eastern Europe (Table 4)

Data were taken from statistical yearbooks and bulletins and plans and plan fulfilment reports, except that for eastern Germany the planned 1958 percentage increment over 1957 of gross investment excluding survey and draughting work was applied to the 1957 value including such work. The 1959 Czechoslovak Plan was taken from **5.1** (23 January 1959) and the 1958 Soviet Plan from **26.17** (No. 12, 1957, p. 20).

The coverage of the data is set out below.

	Albania	Bulgaria	Czecho-slovakia	Eastern Germany	Hungary	Poland	Rumania	Soviet Union	
								Table 1	Table 4
Fixed capital formation by state and co-operative enterprises exceeding certain limits laid down by the central planning organ	×	×	×	×	×	×	×	×	×
Other fixed capital formation by state and co-operative enterprises	×	—	×	×	×	×	×	×	—
Fixed capital formation by collective farms	—	—	×	×	×	×	—	—	—
Fixed capital formation in the private sector	—	—	×	×	×	×	—	—	—
Capital repairs [a]	. .	×	×	×	—	×	—	×	×
Cost of survey and draughting work [a]	. .	×	×	×	×	×	×	×	×
Increment in working capital of building enterprises [a]	. .	. .	. .	—	—	—	. .	×	×

NOTE. — × indicates inclusion in the series quoted; — indicates exclusion from the series quoted; . . indicates uncertainty as to the coverage. All data include ncrements in work in progress and exclude investment in low-value tools and equipment normally discarded after less than one year's use.

[a] By organizations whose fixed capital formation is covered.

Farm man-hours per unit of output and area in the Soviet Union and in the United States (Table 9)

Man-hours per quintal were quoted for the Soviet Union and for the United States by Mr. Khrushchev in **26.2** (16 December 1958). Estimates of American performance in 1956 published by the United States Department of Agriculture (in **29.8**) show the same figures for grain, milk, beef and pork, a slightly lower figure for cotton (16.1 man-hours per quintal) and broadly similar figures for potatoes and beet (in 1950-1953, since yearly data were not published separately therein).

Yields per hectare for Soviet farms as a whole were taken from Table 10. Yields of grain on state farms were given for 1956 by I. Benediktov in **26.15** (No. 1, 1958) and were deduced for 1957 from procurement statistics given in **26.28,** on the assumption that the ratio of procurements to production fell to the same extent as on collective farms : had the ratio fallen less, the yield implied would have been lower than shown in the table. Since a mere one per cent of grain was sown on private plots (**26.22**), yields on collective farms were obtained by difference between the average in Table 10 and the state farm yields. The relationship of yields of beet and cotton on state to those on collective farms in 1956 was indicated by procurement and sown-area data given in **26.14** (No. 6, 1958) and **26.26** respectively ; the margin between crops and procurements is very small (as Table 10 shows) for these crops. Yields in the United States were taken from lint yields in **33.1** (Part I), unginned weight being computed as 2.68 times that of lint, viz. with no allowance for trash.

Man-hours per hectare are the product of man-hours per quintal and quintals per hectare.

Crops and sales to the State of plant produce in the Soviet Union (Table 10)

Sown areas in 1953 and 1956 were taken from **26.26,** and in 1957 from **26. A.** This latter source also gave provisional data for 1958, in most cases subsequently revised in **26.14** (No. 1, 1959, p. 20). The 1956 orchard area was taken from **26.28.** 1953 and 1958 *harvests* were taken from **26.2** (16 December 1958) and the 1958 Plan Fulfilment Report ; 1956 and 1957 data were given by **26.A,** except for grain, which was given in the form of index numbers in **26.22** (for 1956) and in the 1958 Plan Fulfilment Report (for 1957). *Yields* were derived from sown areas and harvests, and thus are not yields per hectare harvested. Procurements were taken from **26.25** for 1953 and 1956, **26.28** for 1957 and from the 1958 Plan Fulfilment Report and **26.14** (No. 1, 1959, p. 21) for 1958.

Grain area and harvests comprise maize harvested both at the ripe and lacto-cerotic stages (the latter in dry-grain equivalent). In 1958 the ripe maize crop was 9.7 million tons and the crop of lacto-cerotic cobs in grain equivalent was 6.7 million tons. The grain area and harvest data also include vetch harvested as grain (0.5 million ha sown in 1953 ; 0.4 million ha sown in 1956) and peas, beans and lentils (1.6 million ha sown in 1953 ; 1.3 million ha sown in 1956).

Output and sales of livestock products in the Soviet Union (Table 13)

Output data were taken from plan fulfilment reports, which also provided the break-down by producer for milk. **26.15** (No. 5, 1958, p. 49) gave the producer break-down for meat and wool in 1956 ; for the latter increments in 1957 and 1958 were available in plan fulfilment reports. It has been assumed that the share of state and collective farms in meat output was given in live, and not in carcass, weight. The 1957 and 1958 meat output was estimated on the basis of the evolution of total output on the one hand and procurement and marketings by each group of suppliers on the other.

Marketings for all products were taken from **26.25** and **26.28** and *procurements* from the same sources together with **26.14** (No. 6, 1958) and the 1958 Plan Fulfilment Report, which quoted total procurements and the percentages which state- and collective-farm supplies bore to the current total and to their 1957 deliveries. Data on wool procurements were in " payment-weight " (zachëtny ves), which is explained in **26.33** (p. 54) as in terms of quality standards laid down by procurement agencies. If a delivery is of better quality than the standard demanded, an addition is allowed in terms of " payment-weight ", and conversely if the delivery is of poorer quality. The extent to which " payment-weight " differs from actual weight thus varies with the quality of deliveries. No information is available on changes in quality standards during the period covered by the table but they are unlikely to have been lowered.

Output of various commodities and of electric power in eastern Europe and the Soviet Union (Charts 1-4)

Sources: National statistics and plan fulfilment reports.

Geographical coverage

"Eastern Europe" generally includes Bulgaria, Czechoslovakia, eastern Germany, Hungary, Poland and Rumania. However, oil production also includes Albania, but excludes the very small output of Czechoslovakia and Poland. Calcined soda does not comprise the negligible Hungarian output.

Commodity definitions

Electric power: Gross output (inclusive of losses and generator consumption).

Coal: Includes coal consumed at mines, except for hard coal in Czechoslovakia. Except for Hungary, monthly data for brown coal and lignite have been converted to hard coal equivalent by the application of standard coefficients for each country. These coefficients, however, take no account of variations over time in the calorific content, except for Hungary, where such monthly data for coal output are officially published.

Rolled steel: Hot rolled, including semi-finished, steel, and also tubes in the Soviet Union and Rumania.

Sulphuric acid: In terms of 100% H_2SO_4; east German figures have been converted to this basis by the coefficient 1.225.

Calcined soda: In terms of 100% Na_2CO_3.

II. THE WESTERN EUROPEAN ECONOMY IN 1958 AND POSSIBILITIES FOR RENEWED EXPANSION

Supply and use of resources (Table 1)

With the following exceptions, data for 1956 and 1957 are from **35.1** (January 1959):

Finland: **7.2** (1958). Data have been adjusted to OEEC definitions and deflated by price indices taken from the same source.

Norway: **18.3** (1958). Includes repair and maintenance.

Yugoslavia: **31.1** (November 1958).

For 1958 the sources used were:

Austria: **2.5** (Nos. 11-12, 1958).

Finland: Budget forecasts from **7.2** (1958).

France: **8.A.**

Western Germany: **10.1** (January 1959), except for imports and exports, which are from **10.10** (9 January 1959).

Italy: **15.11** (October 1958).

Netherlands: **17.5** (January 1959) for private consumption and **17.9** (No. 1, 1959) for investment. In both cases data refer to the first nine months of each year.

Norway: **18.3** (1958). Includes repair and maintenance.

Sweden: **23.10.**

United Kingdom: **27.11** (January 1959). Figures refer to the first nine months of each year.

Yugoslavia: Data for GNP (in constant prices) and for investment and consumption (in current prices) are from **28.2** (No. 50), and **28.9** (2 March 1959). Imports and exports (in current prices) are from **28.1**. Price indices investment and consumption are from **28.1**, and import and export prices from **28.5** (1958). The national accounting concepts employed are those adopted by eastern European countries.

Changes in the labour force from 1953 to 1958 and projections for 1963 in selected western European countries (Table 9)

Actual labour force. — The same sources as for Appendix Table VIII.

Projected labour force. — In the first stage, the 1958 population figures in quinquennial age-groups were projected into 1963 for each sex on the basis of survival rates applied in national projections available for roughly contemporary periods (1955-1960, 1956-1961 or 1957-1962). The sources for these rates are given below.

No account of migration was taken, except for Sweden, for which an immigration of ten thousand persons per year was assumed. For western Germany, the end-1957 population was augmented by the estimated number of immigrants in 1958 (336 thousand, see **24.5**, 6 January 1958).

In the second stage, active populations were calculated for various ages in 1953, 1958 and 1963, by applying age-specific activity rates available from the last census (usually around 1950), corrected on the assumption that they changed over the period proportionally to the trend in the over-all activity rates between the year of the last census and 1953 or 1958 (whichever was the higher).

For Italy, however, they have been estimated from **32.1** (1958, Table 2).

Sources of National Demographic Projections

Austria: **2.1** (May 1953); *Belgium:* Estimates based partially on **3.7** (February 1956) and **3.8** (July-August 1956); *Denmark:* **6.9**; *France:* **8.16** (April-June 1958); *Western Germany:* **10.9**; *Italy:* **15.10** (pp. 365 et seq.; forecasts by Stefano Somogyi); *Netherlands:* **17.8**; *Norway:* **18.4** (1958, p. 13); *Sweden:* **23.9** (p. 73); *United Kingdom:* **27.10**.

Structure of gross fixed capital formation, 1953 to 1957 (Table 11)

All information is from **35.A**, except for: *Finland:* **7.8** (November 1958); *France: 1953* and *1954*: **8.17**; *1955*: **8.18** (2nd report); *1956*: **8.18** (3rd report); *Netherlands:* **17.3** (2nd and 3rd quarter 1958); *Belgium:* The total for agriculture, industry, transport and other trades and services in **35.A** was broken down on the basis of detail in **3.11** (1956).

Central government total expenditure and current revenue from 1955 to 1959 (Chart 5)

General

The figures have in general been taken from budget documents (closed accounts or estimates) and adjusted to correspond as far as possible to the following definitions:

Current revenue. — Taxes on income and property, indirect taxes, death duties, net revenue from state monopolies and public undertakings. Receipts of foreign aid have been excluded.

Current expenditure. — All current civilian expenditure on goods and services, all defence expenditure (including investment and also civil defence wherever possible), current transfers, and expenditure on repairs and maintenance.

Non-current expenditure. — Investment expenditure (other than defence), capital transfers for investment, war damage payments, amortization of debt and all other financial transactions (such as loans and advances).

The distribution that can be made on the basis of budget data between current and non-current expenditure is only approximate. Non-current expenditure does not cover all capital expenditure, part of which is included in the budget under current expenditure, while current expenditure also includes certain capital transfers.

Comparability between countries is affected by differences in national budgetary systems and accounting methods and in national classification and conventions. The data therefore do not conform to national accounting concepts.

Sources and Coverage

Austria : **2.4** (1955-1957) and **2.7** (1958 and 1959). Current revenue excludes revenue of an exceptional or capital nature, and ERP revenue. Amortization of public debt is included in current expenditure. Non-current expenditure includes payments made in accordance with the peace treaty and expenditure covered by ERP revenue.

Belgium : **3.4** (1959) and **3.3** (1957), **36.3.** Current revenue represents ordinary receipts. Non-current expenditure also includes expenditure from the Road Fund, which as from 1956 is no longer included in the budget. The sum involved (billions of francs) was 1.63 in 1956, 2.19 in 1957, 2.00 in 1958 and 2.54 in 1959.

Denmark : **6.7** (1958). For 1955/56 and 1956/57 non-current expenditure includes amounts to cover previous years' deficits.

Finland : **7.2** (1958). Unadjusted for items involving no direct receipts or payments.

France : **8.12** (December 1958), **8.13** (Supplement for 10 January 1959), **8.14.** Data for 1955-1957 are from the treasury accounts. Since 1959, current revenue includes amounts previously allocated to the former Autonomous Amortisation Fund (mainly the net product from the sale of tobacco and matches, which in 1957 amounted to just over 280 billion francs).

Western Germany : **10.7, 10.5** (November 1958), **10.8** (1958). Federal Government only. Revenue and expenditure exclude offsetting items and items earmarked for specific purposes. Figures for 1955/56 include the previous year's deficit. Current revenue excludes in 1956/57 and 1957/58 the amounts carried over from the 1955/56 surplus and in 1957/58 to 1959/60 the sums derived from treasury resources. Non-current expenditure represents capital expenditure and loans to local authorities ; figures for 1957/58 to 1959/60 are estimated.

Italy : **15.4** (1957), **15.7** (1957). The data refer to the " parte effettiva " only and do not include capital transactions (amortization of debt, loans and advances, etc.). Non-current expenditure represents the total of economic and productive expenditure.

Luxembourg : **16.1** (1959). The classification conforms to national accounting conventions.

Netherlands : **17.6** (1957-1959). The classification conforms to national accounting conventions.

Norway : **18.7** (1958/59). Figures are adjusted to the national budget classification.

Sweden : **23.6** (1955/56 - 1957/58), **23.7** (1958/59), **23.8** (1959/60). Current expenditure includes some expenditure of a capital nature and does not include amounts intended to cover capital losses. Non-current expenditure does not include the investment of enterprises financed by their own resources, nor advances to the Treasury and credit to foreign countries.

United Kingdom : **27.8** (1956/57 - 1958/59). The figures are taken from the conventional accounts. Non-current expenditure covers all " below the line " items (other than interest outside the budget included in current expenditure) plus sinking fund payments.

Gross fixed investment and changes in number of employees in industry (Chart 6)

Investment. — The sources for *France* are :

1953-1955 : **8.17** ; *1956 :* **8.18** (3rd report); *1957 :* estimated by applying to the 1956 data the percentage increase shown in **8.5.**

Other countries are from **35.A.**

Investment in industry at constant 1954 prices has been converted into US dollars at 1954 official exchange rates for Austria and Sweden and at purchasing power parity rates (for 1955), for other countries, as derived from **35.6.**

Employment. — The figures, taken from national statistics, relate to employees occupied in industry, excluding construction. The coverage varies according to the nature of the series : industrial censuses for Denmark and Sweden, national insurance data for Austria, Norway and Great Britain, the manpower budget for Belgium, and regular employment statistics for France and western Germany. For Italy, figures have been estimated on the basis of data shown in **15.4** and **15.14**, and for the Netherlands they are employment data officially adjusted to conform to the coverage of national accounts. In general, the coverage of industrial censuses is the least satisfactory (because of the exclusion of small firms).

Output per man-hour and wage-costs by industrial sectors in western Europe (Appendix Table VII)

Austria : **2.6, 2.8.** Industrial earnings relate to weekly earnings in manufacturing and building in Vienna.

Belgium : **3.1, 3.5, 3.6, 3.7, 3.9, 3.10.** Industrial employment and wage rates (as agreed upon by collective bargaining) relate to manufacturing industry only.

Denmark : **6.1.** Industrial earnings include building, transport and some services. Sector indices of hourly earnings exclude overtime pay.

Finland : **7.5, 7.6, 7.7.** Mining covers metal-ore mining only. Metal-using includes metal-making for employment and working hours. Hourly earning by sector relate to male workers only.

France : **8.1, 8.16** (July-September 1958). Industrial wages relate to manufacturing only and are typical, rather than average, rates. For mining, they relate to gross daily earnings in coal mines, including all premiums and bonuses, but excluding family and other allowances, such as for rent and transport.

Western Germany : **10.1, 10.11, 10.12.** Industrial earnings relate to manufacturing including building. Hourly earnings for mining refer to coal mines only.

Italy : **15.1, 15.12.** Hourly earnings exclude annual bonuses and paid holidays.

Netherlands : **17.5, 17.9, 17.10, 17.11.** The index of hourly earnings for 1958 has been obtained by extrapolation on the basis of wage rates. Man-hours worked in coal-mining are based on the number of shifts worked.

Norway : **18.5, 18.8, 18.9.** Hourly earnings by sector relate to male workers only.

Sweden : **23.12, 23.13, 23.14.** Mining covers metal-ore mining only.

United Kingdom : **27.1, 27.9.**

Yugoslavia : **28.1, 28.6, 28.7** (1956 and 1957).

The occupied labour force in western Europe 1953 to 1958 by sectors (Appendix Table VIII)

Austria. — Total : total labour force as given in **35.1**, less applicants for work from **2.1**. 1958 is estimated from changes in the number of insured wage and salary earners, given in **2.6** (Table 7.3). *Employees :* **2.5** ; figures are for August of each year (October for 1954).

Belgium. — 1954 to 1958 : the source is the manpower budget in **3.5** (August 1956, June-July 1957 and September 1958). For *1958* the budget figure has been slightly adjusted to take account of partial data more recently available, in particular for the armed forces (source : **3.7**). *1953 :* estimated from a comparison between 1953 and 1954 in **3.6** (1954).

Denmark. — 1953 : **6.1** (No. 28, 1954); *1956 :* **6.8** (September-October 1958). Figures for the unemployed have been deducted.

France. — Derived from data for a 5 per cent sample of the 1954 census (**8.15**) and **32.1** (1958). Includes men in compulsory military service, in France and overseas.

Western Germany. — **10.1** (March 1958, p. 152). *1958* is estimated from partial data available for employees only.

Ireland. — **14.5.** *1958* is roughly estimated from current series on employment.

Italy. — **15.8.** *1958* is estimated from **15.9**, assuming the same pattern of changes between May and October as in 1957.

Netherlands. — **17.7** (1958, p. 36) and **17.3** (3rd quarter 1957). *1958* is estimated from current series for employees only.

Norway. — **18.6** (1957). *1957 :* **18.6** (1957), with adjustments based on data in **18.6** (1958). *1958 :* the estimate for 1957 has been adjusted to allow for changes in employment since then, on the basis of data in **18.8** (July 1958).

Sweden. — 1955 : **23.9** (p. 64), less an estimate for unemployment ; *other years :* derived from annual changes published in **23.11**.

United Kingdom : **27.9.**

IV. CONSUMPTION AND PROBLEMS OF DISTRIBUTION IN EASTERN EUROPE AND THE SOVIET UNION

Food consumption in five eastern European countries (Table 5)

Sources and Methods

Bulgaria : **33.2** and **4.A**; *Czechoslovakia :* **5.9** (1958); *eastern Germany :* **9.1** (1957) and **9.2** (No. 3, 1958, pp. 104-107); *Hungary :* **12.2** and **12.1** (1957); *Poland :* **19.1** (1956 and 1957), **19.6** (No. 11, 1958, pp. 31-35), and **19.A.**

In all countries except Bulgaria, the " balancing method " is used — i.e., consumption = production + imports — (exports + losses + uses for other than human consumption) + stock changes. In some countries — for instance in Poland — farm accounts and family budgets of peasants are also used for estimating human consumption of potatoes and grains in the countryside. The Bulgarian figures are weighted averages of family budget statistics covering a nation-wide sample and may exclude some foodstuffs not consumed in their original form (e.g., sugar in confectionery). Conversion factors, allowances for losses and other details of calculation vary from country to country and have been published only in Hungary (though some details are available for Poland also). Comparability with pre-war is limited not only by purely technical factors, but also by territorial changes in Czechoslovakia, eastern Germany and Poland.

Definitions

Cereals : Human consumption of bread grain in flour equivalent with extraction rates varying slightly from country to country and over time. The Polish figures for post-war, and particularly for 1955, are recognized in **19.3** as being too high.

Potatoes : Generally excluding industrially processed potatoes.

Sugar : Refined sugar, including all industrial uses.

Vegetables and fruit : Fresh and processed; definitions not quite clear and estimates almost everywhere very uncertain.

Meat and meat products : In principle, meat-on-bone, excluding rendered fats and including game and offal. However, goat and game are not included in Hungary, and game, offal and poultry are excluded from the standard Polish series. Comparability both with pre-war and with western Europe are distorted by the fact that the share of beef in post-war eastern Europe is very small and that other kinds of meat with a much lower actual meat content predominate. For instance, in Czechoslovakia, the share of beef has decreased from 40 per cent in 1936 to 28 per cent in 1957.

Milk and milk products ; fresh milk : Milk is in 3.5 per cent fat content in Bulgaria and Hungary, 3.4 per cent in Czechoslovakia, and 3.2 per cent in Poland. In eastern Germany the 1936 figure is in natural fat content, the post-war data in 2.5 per cent fat content for milk commercially sold and 3.5 per cent for self-consumption in agriculture. Since the share of the latter has decreased steeply between 1950 and 1957, the increase in fresh milk consumption is in part purely statistical. The figures " milk and milk products (excluding butter) " (in kilogrammes) were published as such in Czechoslovakia and Hungary. They have been calculated for Poland from total milk consumption by subtracting milk used for butter production. " Fresh milk " consumption includes cream (in milk equivalent) and sour milk, but not processed milk and milk products.

Comparative prices and expenditures in western Germany, Hungary and Poland (Tables 11 and 12)

The sources used are **19.A**, **19.3** (No. 2, 1957), and **12.3.**

Methodology of family-budget inquiries in eastern Europe and in the Soviet Union (footnote 57)

The following publications should be consulted:

Bulgaria : **4.3** (No. 6, 1957 and No. 2, 1958); *Czechoslovakia :* **5.3** (No. 1, 1956); *eastern Germany :* **9.3** (No. 7, 1956 and Nos 11-12, 1957); *Hungary :* **12.4**; *Poland :* **19.6** (No. 2, 1956, No. 2, 1957 and No. 5-6, 1957); *Rumania :* **5.3** (No. 1, 1958); *Soviet Union :* **26.14** (No. 3, 1953), **26.34**, **26.35**, and **26.8** (No. 2, 1958).

Volumes of retail trade turnover and total personal consumption in eastern Europe and the Soviet Union (Chart 1)

Bulgaria (1.IV.1956 prices): **4.2** (pp. 75 and 80) and **4.5**. Includes private trade; " food " excludes public catering and also tobacco (included under " non-food "). In recent years an increasing share not only of food, but also of handicrafts production has been sold through the retail network.

Czechoslovakia (1957 prices): **5.9** (1958). Includes private trade; " non-food " includes tobacco and " food " public catering; " non-food " also includes some services — e.g., repair, maintenance and tailoring. " Hidden " price increases give a serious upward bias to the trend of sales of manufactures.

Eastern Germany : **9.1** (1956 and 1957). Series in current prices have been deflated by the official retail price index. Includes private trade; " non-food " includes tobacco and public catering. Handicrafts are included to the extent that there is an actual sale of goods, but not when the provision of services only is involved. Enterprise catering at specially cheap prices was included until 1953, as well as turnover on free markets. The weighting of the price index leads to an exaggeration of the fall in prices in 1950-1953 and does not take into account recent " hidden " price increases.

Hungary (1.I.1955 prices): **12.1** (1957). Covers all private trade (including supplies from local resources, which are not covered by the statistics in current prices in Appendix Table IV); " food " includes tobacco and all public (including enterprise) catering. The official estimates for private trade are considered to be rough; variations in the share of producers' goods in retail trade turnover and in supplies of consumers' goods to institutions are quite considerable.

Poland (1956 prices): **19.1**. 1954 is estimated. Excludes private trade (a fairly constant share of the total over the period), but includes sales to institutions (some 7 per cent of the total); tobacco is included under " non-food " and public (including enterprise) catering under " food ". The share of producers' goods in the total was from 6 to 7 per cent in 1955-1957.

Rumania : **21.1** (1958). Original data are in constant prices of an unspecified year. Excludes private trade; tobacco is under " non-food "; " food " excludes public catering; some sales to institutions are also included. The exclusion of private trade gives a serious upward bias to the figures until 1953, a slight downward bias in 1954 and again an upward one in subsequent years. In 1952, the total volume of retail sales (including private trade) fell by some 7 to 8 per cent, as against a 1 per cent increase in the volume of socialist trade.

Soviet Union (1940 prices): **26.21**. The 1956 and 1957 figures are in current prices, it being assumed that there has been no substantial change in prices since 1955. Excludes the Kolkhoz market; tobacco is under " non-food ", and " food " includes public catering. Sales of producers' goods to collective farms are also included. The use of 1940 prices probably involves the problem of pricing " new products " in the same way as for the production index.

V. CONSUMPTION TRENDS IN WESTERN EUROPE

Quantities of food consumed and expenditure elasticities (Table 5)

Dairy products include liquid milk, butter and cheese; other animal products include meat, fish and eggs.

For Belgium, Greece and the Netherlands, elasticities of expenditure are based on the same estimates for private consumption as were used for Chart I.

In addition to **35.4**, **35.1** (January and June 1958), **32.1** (1955), and **33.1 (i)** (1957), the following national sources were used:

Denmark : **6.1** (No. 66, 1954); *France :* **8.2** (1957); *Western Germany :* **10.4**; *Norway :* **18.4** (1957); *Sweden :* **23.5**; *United Kingdom :* **27.7.**

Structure of expenditure on consumers' durable goods (Table 11)

France : **8.9** (No. 2, 1958); *Sweden :* **23.2** (1958); *United Kingdom :* **27.2** (1958); *United States :* **29.1** (July 1957).

For the calculation of elasticities, the data on total private consumption in Tables 4, 7 and 10 were used.

Growth of stock of selected consumers' durable goods (Table 12)

The general sources used are **30.2** and **31.2**, supplemented by **29.7** for United States data. Figures for refrigerators and washing machines are from **36.2**.

Hire-purchase credit and its distribution (Table 13)

As mentioned in the note to the table, credit for industrial and professional equipment has been excluded so far as possible. In the case of total credit outstanding, however, deduction of these items was usually not possible, and for the sake of comparability the percentages in the final column of the table (credit outstanding as percentage of GNP) include such credit, even in the rare cases where exclusion was possible. GNP, total consumption, and consumption of durable consumers' goods have been taken from the sources used for Tables 1 and 10. The sources for hire-purchase credit are the following:

Austria : **2.5** (No. 5, 1958). Credits granted by seven specialized institutes only, representing about one quarter of total hire-purchase credits. According to a special inquiry with a wider coverage, made for the year 1953 (see **2.5** supplement No. 28, 1954), the percentage distribution between the various items is as follows: vehicles: 31; furniture and electric household appliances: 35; textiles and clothing: 19; other: 15.

Belgium : **3.1.** The series covers the greater part of all hire-purchase transactions.

France : **8.7** (1956 and 1957). Credit outstanding with banks and specialized institutions.

Western Germany : **10.5** (February 1958). Credit extended: specialized institutions only (about 60 per cent of all credit institutions). Credit outstanding: all credit institutions.

Ireland : **14.1** (December 1957). The series relates to an annual inquiry, which is comprehensive.

Norway : **18.5** (No. 24, 26 June 1958). Credit institutions only. The figures for vehicles probably include commercial vehicles.

United Kingdom : **27.3** (16 February 1957 and 28 February 1958). Data for vehicles include commercial vehicles. The series covers credit outstanding with household goods shops as well as with finance houses. Textiles and clothing are not included.

United States : **29.2** (August 1958). Credits partly for business purposes could not be deducted. Excludes personal loans and repair and modernization loans.

Expenditure on drink and tobacco and other goods and services (Table 14)

Expenditure on alcoholic drink and tobacco has been derived from the sources given below. Other expenditure was obtained by deducting from total " other private consumption ", as given in **35.1** (July 1958 and January 1959), the expenditure on drink and tobacco and that on fuel, light and household operation. Except where otherwise indicated, these latter expenditures were obtained from the same sources as for drink and tobacco.

Austria : **30.7.** Includes soft drinks. Other expenditure includes household operation.

Belgium : **30.7.** Includes soft drinks.

Denmark : **35.5.** Other expenditure in 1950 is from **6.6.** For 1956 it was assumed that expenditure on fuel and light and household operation was the same proportion of total private consumption as in 1952.

Finland : **30.7.** Includes soft drinks.

France : **8.9** (No. 2, 1958).

Western Germany : **35.5** and **30.8.** Soft drinks and stimulants (tea, coffee, etc.) are included.

Ireland : **14.5** (1956 and 1957).

Italy : **15.4** (1956) and **15.5.** Other expenditure is from **30.7.**

Netherlands : **17.3** (2nd and 3rd quarters 1958) and **17.5** (October 1956 and April 1957). Other expenditure includes household operation.

Norway : **30.7.** Includes soft drinks.

Sweden : **23.2** (1958). Other expenditure is from **30.7.**

United Kingdom : **27.2** (1958). Other expenditure is from **30.7.**

United States : **30.7.**

Per capita private consumption (Chart 1)

Per capita consumption in 1950 for eight countries was taken from **35.6** (p. 76), and for the other countries of western Europe from **35.1**, data in national currencies being converted into US dollars at 1950 official exchange rates.

Average consumption for the countries shown was derived by weighting with 1950 population.

Data for 1956 were derived by applying volume indices of per capita private consumption given in **35.1** (January 1959). Consumption in 1938 was derived in a similar manner, except in the following cases, where an index of private consumption was not available:

Belgium : An index of per capita GNP was used.

Netherlands, Greece and Turkey : It was assumed that the share of private consumption in GNP in 1938 at current prices, for which data are available, and at constant prices is identical. For the Netherlands this share was 74 per cent, for Greece 76 per cent and for Turkey 77 per cent. The percentage for Turkey relates to 1950, no data being available for 1938.

For *Sweden*, the index for 1938 was derived from **23.5.**

Long-term trends in food expenditure (Chart 2)

Denmark : Pre-war: **6.5**; post-war: **35.1** (January 1959).

Italy : **15.5.**

Netherlands : Pre-war: **17.3** (3rd quarter 1949 and 3rd quarter 1950); post-war: **35.1** (January 1959).

Sweden : **23.5.**

United Kingdom : **27.A.**

United States : 1869 to 1928: **29.5**; other years: **29.3.**

Growth of the motor-car park and the relative price of cars in the United States and in western Europe (Chart 4)

For the United States the motor-car park and the average factory price were taken from **29.6** and weekly earnings from **29.4.** The motor-car park in western Europe was taken from **35.3**, supplemented by **31.2.** The 1957 prices of the Renault Dauphine and the Morris Minor were taken from **15.6** (25 October 1958). Prices for earlier years were determined by applying to the 1957 price the general price index for passenger cars in France (**8.1**) and the implied price index for all motor-cars and motor-cycles in the United Kingdom derived from **27.2** (1958).

Weekly earnings and population were taken from national statistics.

Increase in domestic supplies of certain consumers' durable goods 1952-1957 (Text table on p. 20)

France : **8.10**, **8.6** (1954 and 1957), **8.11.**

Western Germany : **10.3**, **10.6**, **8.8** (15 January 1958). In order to obtain home supplies, net exports, taken from trade statistics, were deducted from figures of production.

Norway : **18.3** (1955 and 1957).

United Kingdom : **27.1.**

Indices of consumption of consumers' durables and total private consumption are the same as those used in Tables 4 and 10.

Public expenditure on education and health (Text table on p. 27)

In general national accounts data of public consumption could not be used, since they rarely distinguish different types of expenditure (other than defence). Recourse has therefore been had primarily to central government accounts. To the current net expenditure of the central government has been added that of local authorities, transfers from central to local government and all transfers to the private sector being excluded so far as possible. Full conformity with national accounting concepts cannot, however, be assured.

The coverage differs from country to country. Education generally includes research and cultural activities (and sometimes religion) and public health sometimes includes expenditure on sanitary services, such as refuse collection. Further details of sources and coverage are given below:

Austria : **2.4** (1956), **2.3.** Net ordinary expenditure of all public authorities.

Belgium : **36.1.** Expenditure on education is made up of net state consumption expenditure, state contributions to local authorities for consumption purposes and net ordinary expenditure of local authorities.

Denmark : **6.2** (1957). Current expenditure of all public authorities.

Finland : **7.2** (1957); **7.1** (1957). Central government consumption expenditure plus estimated expenditure of local authorities. Public health includes sanitary services.

France : The figure for education in 1955 is taken from **8.5** (p. 122) and represents total expenditure for education and culture.

Western Germany : **10.1** (May 1958). Consolidated current expenditure. Education includes religion.

Greece : **11.2.**

Ireland : **14.4** (1957). Expenditure on education from public funds.

Italy : **15.4** (1957). The data for education relate to financial years, and include all expenditure of the central government and local authorities. Some double counting, and the inclusion of investment outlays, is therefore probably involved.

Luxembourg : **16.1** (1958). The data for education refer to the total consumption expenditure of the central government and the communes, as given in the annex.

Netherlands : **36.1**, **17.4**. Education expenditure by the communes has been estimated.

Norway : **18.6** (1958). Figures partly estimated for local authorities, and for the central government probably include some capital outlays.

Sweden : **23.1** (1957). Education: state current expenditure (average of two financial years) and local government net expenditure. Health: total net public expenditure for health and care of the sick (running costs and investment) as shown in a special annual table.

Switzerland : **24.4.** Total current expenditure of all public authorities (consolidated).

United Kingdom : **27.2** (1958).

Exports of selected European countries and the United States by main commodity groups and by areas of destination
(Apppendix Table XIV)

This table is a continuation of Table XI of the SURVEY for 1957, the sources and methods for which are described in Appendix B, pp. 10-12, of that SURVEY. The only differences between the two tables are as follows:

" Semi-industrialized countries " now include Argentina, Brazil, Chile, Mexico, Union of South Africa, Oceania, India, Pakistan, and China.

Exports to Ghana in 1956 are included (as before) under trade with " British overseas territories ". In 1957, however, trade with Ghana is included under the heading " Other in Africa ", and in this year's tables both French and United Kingdom exports to Ghana are included under exports to " Other in Africa " both for 1956 and for 1957.

The change in the classification of Morocco and Tunisia from " Affiliated overseas territories " to " Other overseas countries: in Africa " is on exactly the same lines as the treatment of Ghana just described above.

For the Netherlands SITC group 691 is excluded in both years from ECE group 8 and included in group 20, and part of SITC group 652 is excluded from ECE group 18 and included in group 20. Furthermore, in 1957 SITC group 689 is excluded from ECE group 3 and included in group 20, while SITC groups 651 and part of 653 are excluded from ECE group 18 and included in group 20.

LIST OF SOURCES QUOTED IN APPENDIX B

ALBANIA

1.1 *Zeri i Popullit.* Daily.
1.2 *Bashkimi.* Daily.
1.3 Komision të planit të shtetit: *Ekonomia popullore.* Every two months.
1.4 Agence télégraphique albanaise, Paris: *Albanie.* Irregular.

AUSTRIA

2.1 Österreichisches Statistisches Zentralamt: *Statistische Nachrichten.* Monthly.
2.2 Österreichisches Statistisches Zentralamt: *Statistik des Aussenhandels Österreichs.* Quarterly.
2.3 Österreichisches Statistisches Zentralamt in collaboration with the Bundesministerium für Finanzen: *Gebarungsübersichten 1956 für die Bundesländer, Bezirksfürsorgeverbände und Gemeinden.* 1958.
2.4 Rechnungshof: *Bundesrechnungsabschluss der Republik Österreich für das Verwaltungsjahr...* Annual.
2.5 *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.* Monthly.
2.6 *Statistische Übersichten zu den Monatsberichten des Österreichischen Institutes für Wirtschaftsforschung.* Monthly.
2.7 Nationalrat: *Bundesfinanzgesetz.* Annual.
2.8 Arbeiterkammer für Wien: *Jahrbuch 1956.* 1957.

BELGIUM

3.1 Institut national de statistique: *Bulletin de statistique.* Monthly.
3.2 Institut national de statistique: *Bulletin mensuel du commerce extérieur de l'Union économique belgo-luxembourgeoise.*
3.3 Institut national de statistique: *Annuaire statistique de la Belgique et du Congo belge.*
3.4 Chambre des Représentants: *Budget des recettes et des dépenses. Exposé général.* Annual.
3.5 Ministère du travail et de la prévoyance sociale de Belgique: *Revue du travail.* Monthly.
3.6 Ministère des affaires économiques: *L'économie belge.* Annual.
3.7 *Bulletin de l'Institut de recherches économiques et sociales*, Louvain. Eight times a year.
3.8 Ministère des affaires économiques: *Bulletin mensuel de la direction générale des études et de la documentation.*
3.9 Fédération des entreprises de l'industrie des fabrications métalliques (FABRIMETAL), Brussels: *Bulletin hebdomadaire d'information et de liaison.*
3.10 Banque nationale de Belgique: *Bulletin d'information et de documentation.* Monthly.
3.11 Ministère des affaires économiques: *Douzième rapport relatif au problème des investissements, 1956.* 1957.

BULGARIA

4.1 *Rabotnichesko delo.* Daily.
4.2 Tsentralno statistichesko upravlenie pri Ministerskiya savet: *Statistitchesky godishnik na Narodna Republika Bulgaria — skrateno izdanie — 1956.* 1957.
4.3 Tsentralno statistichesko upravlenie pri Ministerskiya savet: *Statistika.* Every two months.
4.4 Ministerstvo na trgoviyata: *Vneshna trgoviya.* Monthly.
4.5 Tsentralno statistichesko upravlenie pri Ministerskiya savet: *Statistitchesky izvestiia.* Quarterly.
4.6 *Trud.* Daily.
4.A Information supplied by the Government.

CZECHOSLOVAKIA

5.1 *Rudé Právo.* Daily.
5.2 Československá akademie zemědělských věd v Praze: *Za socialistické zemědělství.* Monthly.
5.3 Státní úřad statistický: *Statistický obzor.* Monthly.
5.4 Technickoorganisační výzkumný ústav strojírenský: *Podniková organisace.* Monthly.
5.5 Československá obchodní komora : *Zahraniční obchod.* Monthly.
5.6 Státní úřad plánovací: *Plánované hospodářství.* Monthly.
5.7 Státní úřad statistický: *Statistické zprávy.* Monthly.
5.8 Ministerstvo vnitra: *Úřední list Československé Republiky.* Irregular.
5.9 Státní úřad statistický: *Statistická ročenka Republiky Československé.* Annual.
5.10 *Hospodářské noviny.* Orbis. Weekly.
5.11 Ústřední výbor komunistické strany Československa: *Nová mysl.* Monthly.
5.12 *Prague News Letter.* Orbis. Fortnightly.

DENMARK

6.1 Statistisk departement: *Statistiske efterretninger.* Frequent but irregular.
6.2 Statistisk departement: *Statistisk årbog.* Annual.
6.3 Statistisk departement: *Vareomsætningen med udlandet.* Monthly.
6.4 Statistisk departement: *Danmarks vareindførsel og -udførsel.* Annual.
6.5 Statistisk departement: *Nationalproduktet og nationalindkomsten 1930-46.* 1948.
6.6 Statistisk departement: *Nationalindkomsten 1938 og 1947-54.* 1955.
6.7 *Economic Survey of Denmark.* Ministry for Foreign Affairs. Annual.
6.8 Erhvervsøkonomisk institut: *E.M. Erhvervsøkonomiske meddelelser.* Monthly.
6.9 Statistisk departement: *Aldersfordelingen i 1950 og i de kommende år, køn, alder og ægteskabelig stilling ved folketællingen 1950.* 1955.

FINLAND

7.1 Tilastollinen päätoimisto — Statistiska centralbyrån: *Suomen tilastollinen vuosikirja — Statistisk årsbok för Finland.* Annual.
7.2 Ministry of Finance: *Economic Survey.* Annual.
7.3 Tullihallitus — Tullstyrelsen: *Ulkomaankauppa, kuukausijulkaisu — Utrikeshandel, månadspublikation.* Monthly.
7.4 Tullihallitus — Tullstyrelsen: *Ulkomaankauppa, vuosijulkaisu — Utrikeshandel, årspublikation.* Annual.
7.5 Tilastollinen päätoimisto — Statistiska centralbyrån: *Tilastokatsauksia — Statistiska översikter.* Monthly.
7.6 Valtiovarainministeriön kansantalousosasto — Finansministeriets avdelning för folkhushållningen: *Suhdannesarjat — Konjunkturserier.* Monthly.
7.7 Sosiaaliministeriö — Socialministeriet: *Sosiaalinen aikakauskirja — Social tidskrift.* Every two months.
7.8 Bank of Finland: *Monthly Bulletin.*

FRANCE

8.1 Institut national de la statistique et des études économiques: *Bulletin mensuel de statistique.*
8.2 Institut national de la statistique et des études économiques: *Annuaire statistique de la France.*
8.3 Direction générale des douanes et droits indirects: *Statistique mensuelle du commerce extérieur de la France.*
8.4 Direction générale des douanes et droits indirects: *Tableau général du commerce extérieur. Commerce de la France avec la zone franc et les pays étrangers.* Annual.
8.5 Ministère des finances, des affaires économiques et du plan: *Rapport sur les comptes de la Nation de l'année 1957.* 1958.
8.6 Ministère de l'industrie et du commerce: *Annuaire de statistique industrielle 1957.* 1957.
8.7 Conseil national du crédit:
  (i) *Rapport annuel.*
  (ii) *Annexes au rapport annuel.*
8.8 Centre national du commerce extérieur: *Moniteur officiel du commerce et de l'industrie.* Twice a week.
8.9 Centre de recherches et de documentation sur la consommation (CREDOC) : *Consommation.* Quarterly.
8.10 Union pour l'étude du marché de l'électricité (UNIMAREL): *Vente et niveau d'emploi des principaux appareils électro-ménagers.* 1955.
8.11 Crédit à l'équipement électro-ménager (CETELEM): *Le Marché des appareils ménagers en France.* 1957.
8.12 Ministère des finances: *Statistiques et études financières.* Monthly.
8.13 Société d'études et d'informations économiques: *Perspectives.* Weekly.
8.14 "Loi de finances pour 1959" : *Journal officiel de la République française. Lois et décrets.* Vol. 90, No. 303, pp. 12071-12113, 31 December 1958.
8.15 Institut national de la statistique et des études économiques: *Recensement général de la population de mai 1954. Résultat du sondage au 1/20^{e}.* 1956.
8.16 Institut national de la statistique et des études économiques: *Etudes statistiques, supplément trimestriel du Bulletin mensuel de statistique.*
8.17 Ministère des finances, des affaires économiques et du plan: *Rapport sur les comptes de la Nation. Vol. I. Rapport et comptes 1949-1955.* 1955.
8.18 *Rapport du fonds de développement économique et social.* Supplement to **8.12**.
8.A Information supplied by the Institut national de la statistique et des études économiques.

EASTERN GERMANY

9.1 Staatliche Zentralverwaltung für Statistik: *Statistisches Jahrbuch der Deutschen Demokratischen Republik.* Annual.
9.2 Staatliche Zentralverwaltung für Statistik: *Vierteljahreshefte zur Statistik der Deutschen Demokratischen Republik.* Quarterly.
9.3 Staatliche Zentralverwaltung für Statistik: *Statistische Praxis.* Monthly.
9.4 *Die Wirtschaft.* Verlag die Wirtschaft. Weekly.
9.5 *Neues Deutschland.* Daily.

WESTERN GERMANY

10.1 Statistisches Bundesamt, Wiesbaden: *Wirtschaft und Statistik.* Monthly.

10.2 Statistisches Bundesamt, Wiesbaden: *Der Aussenhandel der Bundesrepublik Deutschland.* Monthly:
  (i) *Teil 1: Zusammenfassende Übersichten.*
  (ii) *Teil 2: Waren nach Herstellungsländern und Verbrauchsländern.*
  (iii) *Teil 3: Bezugs- und Absatzgebiete nach Warengruppen und -untergruppen.*
  (iv) *Teil 5: Special Trade according to the Standard International Trade Classification (SITC).*

10.3 Statistisches Bundesamt, Wiesbaden: *Die Industrie der Bundesrepublik Deutschland. Sonderheft 11. Die industrielle Produktion 1951-1955.* 1956.

10.4 Statistisches Bundesamt, Wiesbaden: *Preise, Löhne, Wirtschaftsrechnungen. Reihe 6. Einzelhandelspreise und Indexzahlen der Verbraucherpreise 1956.* 1958.

10.5 *Monthly Report of the deutsche Bundesbank* [formerly Bank deutscher Länder], Frankfurt.

10.6 *Der Volkswirt.* Supplement to No. 37, 1958: " Kälte in Wirtschaft und Technik ".

10.7 Bundesminister der Finanzen: *Bundeshaushaltsplan für das Rechnungsjahr 1958.* 1958.

10.8 Statistisches Bundesamt, Wiesbaden: *Statistisches Jahrbuch für die Bundesrepublik Deutschland.*

10.9 Statistisches Bundesamt, Wiesbaden: *Die voraussichtliche Bevölkerungsentwicklung bis 1982.* 1955.

10.10 Deutsches Institut für Wirtschaftsforschung, Berlin: *Wochenbericht.* Weekly.

10.11 Statistisches Bundesamt, Wiesbaden: *Statistischer Wochendienst.* Weekly.

10.12 Statistisches Bundesamt, Wiesbaden: *Die Industrie der Bundesrepublik Deutschland. Reihe I: Beschäftigung und Umsatz. Brennstoff- und Energieversorgung.* Monthly.

10.13 Statistisches Bundesamt, Wiesbaden: *Statistische Berichte: Arb. Nr. V/30: Der Interzonenhandel des Bundesgebietes und West-Berlins mit dem Währungsgebiet der DM-Ost.* Monthly.

GREECE

11.1 Etnike statistike uperesia (National Statistical Service): *Meniaion deltion statistikes exioterikoii — Monthly Bulletin of External Trade Statistics.*

11.2 Hypourgeion syntonismou (Ministry of Co-ordination): *Ethnikoi logariasmoi the Ellados 1956 — National Accounts of Greece 1956.* 1957.

HUNGARY

12.1 Központi statisztikai hivatal: *Magyar statisztikai zsebkönyv.* Annual.

12.2 Központi statisztikai hivatal: *Az élelmiszerfogyasztás alakulása Magyarországon.* 1957.

12.3 Központi statisztikai hivatal: *Áralakulás Magyarországon 1938-ban és 1949-1955-ben.* 1957.

12.4 Központi statisztikai hivatal: *Ötezer család 1956 évi háztartási feljegyzései.* 1957.

12.5 *Népszabadság.* Daily.

12.6 Központi statisztikai hivatal: *Statisztikai havi közlemények.* Monthly.

ICELAND

13.1 Hagstofa: *Hagtídindi.* Monthly.

13.2 Hagstofa: *Verzlunarskýrslur.* Annual.

IRELAND

14.1 Central Statistics Office: *Irish Trade Journal and Statistical Bulletin.* Quarterly.

14.2 Central Statistics Office: *Trade Statistics of Ireland.* Monthly.

14.3 Central Statistics Office: *Trade and Shipping Statistics.* Annual.

14.4 Central Statistics Office: *Statistical Abstract of Ireland.* Annual.

14.5 Central Statistics Office: *Irish Statistical Survey.* Annual.

ITALY

15.1 Istituto centrale di statistica: *Bollettino mensile di statistica.*

15.2 Istituto centrale di statistica: *Statistica mensile del commercio con l'estero.*

15.3 Istituto centrale di statistica: *Statistica annuale del commercio con l'estero.*

15.4 Ministro del bilancio e Ministro del tesoro: *Relazione generale sulla situazione economica del Paese.* Annual.

15.5 Istituto centrale di statistica: *Sommario di statistiche storiche italiane 1861-1955.* 1958.

15.6 Istituto per gli studi di economia: *Mondo economico*, Milan. Weekly.

15.7 Banca d'Italia: *Assemblea generale ordinaria dei partecipanti.* (Relazione del Governatore sull'esercizio). Annual.

15.8 Istituto centrale di statistica: *Alcuni principali risultati delle rilevazioni delle forze di lavoro negli anni 1954-1957.* 1958.

15.9 Istituto centrale di statistica: *Notiziario Istat. Foglio 34. Serie 3 — Popolazione.* November 1958.

15.10 Commissione parlamentare di inchiesta sulla disoccupazione: *La disoccupazione in Italia — Relazioni dei gruppi di lavoro.* Vol. II — Tomo 3. 1953.
15.11 Associazione bancaria italiana: *Bancaria.* Monthly.
15.12 Ministero del lavoro e della previdenza sociale: *Statistiche del lavoro.* Quarterly. [With irregular supplements.]
15.13 Istituto centrale di statistica: *Rilevazione nazionale delle forze di lavoro, 8 novembre 1957.* 1958.
15.14 Istituto centrale di statistica: *III censimento generale dell'industria e del commercio, 5 novembre 1951.* Vol. XVI: *Artigianato.* Vol. XVII: *Dati generali riassuntivi.* 1957.

LUXEMBOURG

16.1 Ministère des finances: *Projet de loi concernant le budget des recettes et des dépenses de l'Etat pour l'exercice...* Annual.

NETHERLANDS

17.1 Centraal bureau voor de statistiek: *Maandstatistiek van de in-, uit- en doorvoer per goederensoort.*
17.2 Centraal bureau voor de statistiek: *Maandstatistiek van de in-, uit- en doorvoer per land.*
17.3 Centraal bureau voor de statistiek: *Statistische en econometrische onderzoekingen.* Quarterly.
17.4 Centraal bureau voor de statistiek: *Statistiek der gemeentefinanciën — Comptabele gegevens 1952-1956.* 1958.
17.5 Centraal bureau voor de statistiek: *Maandschrift.*
17.6 Minister van financiën: *Nota betreffende de toestand van's Rijks financiën — Behorende bij de ontwerp-begroting.* Annual.
17.7 Centraal bureau voor de statistiek: *Statistisch zakboek.* Annual.
17.8 Centraal bureau voor de statistiek: *Berekeningen omtrert de toekomstige loop der Nederlandse bevolking.* 1951.
17.9 Centraal bureau voor de statistiek: *Statistisch bulletin.* [Frequent but irregular.]
17.10 Centraal bureau voor de statistiek: *Sociale maandstatistiek.*
17.11 Centraal bureau voor de statistiek: *Statistiek der lonen.* Irregular.

NORWAY

18.1 Statistisk sentralbyrå: *Månedsoppgaver over vareomsetningen med utlandet.* Monthly.
18.2 Statistisk sentralbyrå: *Norges handel.* Annual.
18.3 Statistisk sentralbyrå: *Økonomisk utsyn.* Annual.
18.4 Statistisk sentralbyrå: *Statistisk årbok for Norge.* Annual.
18.5 Statistisk sentralbyrå: *Aktuell statistikk.* Irregular. [Roneoed document.]
18.6 Finans- og tolldepartementet: *Nasjonalbudsjettet.* Annual.
18.7 Finans- og tolldepartementet: *Statsbudsjettet for budsjett-terminen 1958-1959.* 1958.
18.8 Arbeidsdirektoratet: *Arbeidsmarkedet.* Monthly.
18.9 Statistisk sentralbyrå: *Norges industri — Produksjonsstatistikk.* Annual.

POLAND

19.1 Główny urząd statystyczny: *Rocznik statystyczny.* Annual.
19.2 *Gospodarka planowa.* Polskie wydawnictwa gospodarcze. Monthly.
19.3 Główny urząd statystyczny: *Biuletyn statystyki warunków bytu, Nr 2 — Wyniki badań budżetów rodzinnych za I półrocze 1957 R.*
19.4 *Trybuna ludu.* Daily.
19.5 Główny urząd statystyczny: *Biuletyn statystyczny.* Monthly.
19.6 Główny urząd statystyczny: *Wiadomości statystyczne.* Every two months.
19.A Information supplied by the Central Statistical Office.

PORTUGAL

20.1 Instituto nacional de estatistica: *Boletim mensal.*
20.2 Instituto nacional de estatistica: *Comércio externo.* Annual.

RUMANIA

21.1 Direcţia centrală de statistică: *Anuarul statistic al R.P.R.* Annual.
21.2 *Scînteia.* Daily.
21.3 *Munca.* Daily.
21.4 Direcţia centrală de statistică: *Buletin statistic trimestrial.* Quarterly.

SPAIN

22.1 Dirección general de aduanas: *Estadistica del comercio exterior de España.* Monthly.
22.2 Dirección general de aduanas: *Estadistica del comercio exterior de España.* Annual.
22.3 Dirección general de aduanas: *España i clasificación uniforme para el comercio internacional.* Annual.

SWEDEN

23.1 Statistiska centralbyrån: *Statistisk årsbok för Sverige*
23.2 Konjunkturinstitutet: *Konjunkturläget*. Half-yearly. (Autumn issue.)
23.3 Kommerskollegium: *Månadsstatistik över handeln*. [Supplement to *Kommersiella meddelanden*.]
23.4 Kommerskollegium: *Handel*. Annual.
23.5 Bentzel, R.: *Den privata konsumtionen i Sverige 1931-65*. Industriens utredningsinstitut, Stockholm. 1957.
23.6 Riksräkenskapsverket: *Budget-redovisning för budgetåret...* Annual.
23.7 Riksdagen: *Riksstat för budgetåret 1958/59*. 1958.
23.8 Riksdagen: *Statsverkets tillstånd och behov under budgetåret 1959/60*. 1959.
23.9 Finansdepartementet: *Balanserad expansion — Bilagor : Särskilda utredningar*. 1957.
23.10 Riksdagen: *Preliminär nationalbudget för år 1959*. [Annex to **23.8**.]
23.11 Konjunkturinstitutet: *Nationalbudget för år ...* Annual.
23.12 Socialstyrelsen: *Sociala meddelanden*. Monthly.
23.13 *Meddelande från socialstyrelsens byrå för löne- och sysselsättningsstatistik*. Irregular.
23.14 Kommerskollegium: *Kommersiella meddelanden*. Monthly.

SWITZERLAND

24.1 Direction générale des douanes fédérales: *Statistique mensuelle du commerce extérieur de la Suisse*.
24.2 Direction générale des douanes fédérales: *Statistique annuelle du commerce extérieur de la Suisse*.
24.3 Direction générale des douanes fédérales: *Statistique du commerce suisse, rapport annuel*.
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